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## **ECONOMIC INTELLIGENCE REPORT**

# **SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS 1 JANUARY - 30 JUNE 1960**

**EIC-R14-S9**

31 August 1960

**ECONOMIC INTELLIGENCE COMMITTEE**

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**ECONOMIC INTELLIGENCE REPORT**

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IN UNDERDEVELOPED AREAS  
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FOREWORD

The reports on Sino-Soviet Bloc economic activities in underdeveloped areas in the EIC-R14 series provide periodic summaries and analytical interpretations of significant developments in the economic relations of Bloc countries with underdeveloped countries of the Free World. These developments are reported on a current, factual basis in the Biweekly Reports in the EIC-WGR-1 series, under the same title.

This report, covering the 6 months from 1 January through 30 June 1960, constitutes the ninth periodic supplement to EIC-R14, the background report on Sino-Soviet Bloc Postwar Economic Activities in Underdeveloped Areas, 8 August 1956, SECRET. The present supplement relates noteworthy noneconomic activities to the economic operations of the Bloc in underdeveloped countries in order to place the economic aspects in the perspective of the over-all programs of the Bloc in these countries. This report was prepared by a Working Group of the Economic Intelligence Committee, including representatives of the Departments of State, the Army, the Navy, the Air Force, Commerce and Agriculture; the International Cooperation Administration; the Office of the Secretary of Defense; and the Central Intelligence Agency. It was approved by the Economic Intelligence Committee on 10 August 1960.

For purposes of this report, the term underdeveloped areas includes the following Free World countries: (1) all countries in the Middle East, including Afghanistan, Cyprus, Greece, Pakistan, Turkey, and the United Arab Republic (Egypt and Syria); (2) all independent countries in Africa, except the Union of South Africa; (3) all countries in Asia except Japan; (4) all independent countries in Latin America; and (5) Iceland, Portugal, Spain, and Yugoslavia.

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SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS  
1 JANUARY - 30 JUNE 1960

Summary

Throughout the semiannual period ending 30 June 1960, the Bloc prosecuted its economic offensive in underdeveloped areas with growing vigor. As in preceding periods, the political content and direction of the economic aid program were apparent in the choice of target countries, the type of assistance provided, and the timing of aid offers. Although the Bloc continued to press its offensive in the Middle East and Asia, impressive new gains were scored in Africa and Latin America.

Credits and Grants\*

During the first 6 months of 1960 the Bloc extended more than \$785 million\*\* in financial assistance to underdeveloped countries, all for economic development. The level thus established is well above the high-water mark set in the last 6 months of 1959. Credits and grants extended in the 12-month period ending 30 June 1960 account for more than 40 percent of the economic credits and grants provided since 1954.

With the obligation of almost \$900 million of outstanding credits and grants in the first 6 months, approximately 80 percent of Bloc financial aid extended for all purposes had been obligated by midyear 1960. Of the funds obligated for economic assistance, one-half have been allocated to industrial projects; one-fifth to agriculture (including reclamation, irrigation, and hydroelectric power); and one-seventh to transportation and communications.

Drawings on Bloc credits and grants during the first 6 months of 1960 amounted to \$135 million, almost two-thirds of which went for economic development projects. By midyear, almost all of the \$820 million provided under military aid agreements and one-fifth of the more than \$3.2 billion extended for economic assistance had been spent.

\* For definitions of the terms extended, obligated, and drawn, see the first footnote on p. 9, below.

\*\* Unless otherwise indicated, all dollar values in this report are in terms of US dollars.

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### Technical Assistance

In the first 6 months of 1960, 6,900 Bloc technicians -- 5,700 economic and 1,200 military -- were present in underdeveloped countries for periods of 1 month or longer. This figure may be compared with about 6,500 technicians -- 5,000 economic and 1,500 military -- present in the previous 6-month period.

By midyear 1960, 9,400 nationals of underdeveloped countries were pursuing or had completed courses of instruction at various institutions in the Bloc. Of this number, 2,800 were academic students, 2,400 were technical students, and 4,200 were military trainees.

### Trade

Although Bloc imports increased 11 percent and Bloc exports declined 8 percent, the level of Bloc trade with underdeveloped countries in 1959 remained the same as in 1958, in contrast to an average annual increase of 20 percent between 1956 and 1958. Although the European Satellites retained their preeminent position in Bloc trade with underdeveloped countries, the USSR increased its share to well over one-third of the total.

Except for the Middle East, Bloc trade with all of the underdeveloped areas in 1959 showed an increase above 1958. A 13-percent decline in trade with the Middle East -- a region that accounted for about 40 percent of trade turnover in recent years -- was the main factor underlying the precipitous drop in the rate of growth of trade between 1958 and 1959.

Industrial countries of the Free World experienced a leveling off in their trade with underdeveloped countries similar to that noted for the Bloc. As a result, the relative share in the trade of underdeveloped countries for the two major power groups in 1959 remained about the same as in 1958 -- 93 percent for the industrial countries of the Free World, 7 percent for the Bloc.

### Middle East

The USSR made vigorous efforts in Afghanistan during the first half of 1960 to expedite its extensive program of economic assistance in that country. An outstanding achievement from an economic and a propagandistic point of view was the discovery in April of a major deposit of high-quality petroleum and gas. This discovery by Soviet and Rumanian experts was promptly followed by a Soviet offer to assist Afghanistan in producing, refining, and marketing the newly discovered

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oil and gas. In addition, the USSR has offered to finance a substantial part of Afghanistan's Second Five Year Plan. Soviet performance in implementing projects in Afghanistan has been very good in spite of shortages of local currency and skilled manpower. There is every indication that this creditable record has made an increasingly favorable impression on the Afghans and has led them to exercise less caution with respect to closer economic and military relations with the Bloc.

During the first half of the year the USSR and Afghanistan signed construction contracts for several major projects -- new roads, a dam and a hydroelectric powerplant, another airfield, and several cement plants. The number of Soviet technicians employed on various projects in Afghanistan had increased to more than 1,000 by midyear, and further increases are expected as new projects get underway.

The position of the Bloc in the UAR improved perceptibly. The USSR achieved a considerable propaganda coup when in January, shortly after the inauguration of work on the Aswan High Dam, it extended a second long-term credit for completion of the project. As a result, the USSR is able to assure its presence in Egypt for some time to come and to exclude Western nations from participation in a project that has wide popular appeal. The UAR policies of neutralism abroad and anti-Communism at home have tended to offset Bloc gains. Progress on Bloc aid projects has been slow, and completion of the larger projects for which contracts have been signed is years away. Delays in implementing projects have been caused primarily by the UAR desire to shop for better deals elsewhere. By the end of June, less than one-third of the 1958 Soviet industrialization credit to Egypt and less than one-fifth of the 1957 Soviet development credit to Syria had been spent.

Iraqi relations with the West improved, whereas those with the Bloc showed some tendency to deteriorate. In part, this tendency reflected Iraqi disappointment with the rate of progress achieved under the 1959 Soviet economic aid agreement. An unofficial visit by Soviet Deputy Premier Mikoyan in April failed to dispel this disappointment or to improve the climate of political relations between the two countries. Nevertheless, the Iraqi Government in May accepted a new Soviet credit to be used for rehabilitation of the Basra-Baghdad railroad.

Elsewhere in the Middle East the prestige of the Bloc in Yemen was enhanced by the impressive progress made on Yemen's first modern port and road. Two of three Bloc aid projects in Iran were completed, and two additional Bloc credits for the purchase and installation of textile equipment were extended to private firms. The USSR attempted to exploit the political situation in Turkey following the military coup

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of 27 May by pressing the new government to improve relations between the two countries. Part of the pressure campaign consisted of a general Soviet offer to provide large-scale aid for economic development. Pakistani officials displayed a willingness to consider Soviet economic assistance, and negotiations were begun in June for Bloc aid in exploring for petroleum and mineral deposits.

Africa

Bloc diplomatic representations, trade overtures, and offers of aid increased dramatically in several key African states. There was a growing interest in Bloc offers of assistance, although only one Bloc credit offer was accepted.

Ghana received its first Bloc aid, an industrial credit of \$3.1 million from East Germany, and was considering an offer from the USSR. Surveys of industrial projects and the training of Ghanaians were carried out by East Germany during this period. Trade rose significantly as a result of energetic tactics pursued by the Bloc.

Guinea received several gifts from the Bloc, including a substantial rice grant from Communist China. Implementation of the July 1959 Soviet credit was assured by the conclusion of a protocol under which Moscow will provide material and technical assistance for several key industrial projects. The number of Bloc technicians working on surveys, constructing industrial plants, and acting as advisers to key Guinean ministries rose sharply. A large number of Chinese Communists arrived to assist in rice-growing projects. Trade with the Bloc expanded significantly.

Although the Bloc made important efforts to strengthen its initial foothold in Ethiopia, actual gains were somewhat circumscribed by growing Ethiopian wariness of Soviet subversion. Czechoslovakia and the USSR prodded Ethiopia to hasten utilization of credits that they extended in July 1959. In March 1960 an agreement was signed with the USSR that mentioned an oil refinery, a gold ore dressing plant, geological and mineralogical surveys, and a feasibility study for a metallurgical plant, but actual implementation does not appear to be assured. The number of Bloc technicians in Ethiopia and the Bloc's share of Ethiopia's trade remained small.

Asia

The Bloc vigorously pursued its economic offensive in India, Indonesia, and Nepal. India remained firmly committed to a policy of nonalignment and to a belief that even larger amounts of Bloc aid can be absorbed without creating a serious dependence on the Bloc. Obligation of Soviet credits for specific projects under the Third Five

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Year Plan highlighted the Bloc aid program in India. Indian acceptance of a Soviet offer to aid in petroleum development as well as to supply large quantities of petroleum products further increased the Bloc's role in India's petroleum industry. Poland for the first time extended credit for India's industrial development program.

Although friction in Sino-Indonesian relations continued, economic ties with the USSR were strengthened. Indonesia accepted a \$250 million Soviet credit for economic development. Implementation of Bloc aid programs proceeded at a more active pace, and the number of Bloc technicians present increased. Trade with the Bloc rose in 1959, and for the first time the Bloc share of Indonesian exports exceeded 10 percent of the total.

The Bloc accelerated its efforts to insure Nepal's neutrality, to reduce Western influence, and to overcome suspicions aroused by Chinese Communist border aggression. Nepal accepted an additional grant of \$21 million from Peiping and agreed (1) to permit the establishment of a resident Chinese Communist Embassy, (2) to accept Chinese Communist technicians, and (3) to send Nepalese technicians to Communist China for training.

The present Burmese Government, more favorably disposed than its predecessor to Bloc economic overtures, is considering credit offers by Czechoslovakia, the USSR, and East Germany. Two more contracts under the 1958 Soviet credit to Ceylon were concluded, but only one project is under construction. The reduced volume of rice and rubber to be exchanged with Communist China under the current trade agreement reflects Ceylon's desire to decrease its trade dependence on Peiping.

Bloc activity in Cambodia centered on the construction of factories financed by the Chinese Communist grant and on a Soviet gift hospital. The USSR offered to finance the construction of a railroad and to set up and operate several rubber plantations.

Europe

Bloc economic efforts were concentrated primarily on trade and showed no significant change in levels or objectives from the previous period. Yugoslavia's trade with the Bloc increased, but the Bloc's share of its total trade declined. A trend toward longer term agreements with Bloc countries attests to a mutual willingness to continue trade as usual in spite of political differences. The Bloc continued to play a major role in Iceland's trade by providing an outlet for products which could not be marketed easily elsewhere. Iceland took steps to strengthen its currency and stabilize its economy and sought to substitute Western markets for those behind the Iron Curtain.

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Latin America

The Soviet partnership with Cuba in an anti-American propaganda campaign marked the opening of a new major frontier in Bloc operations in the area. A rising receptivity to Bloc economic overtures was noted in much of the area in spite of a widespread and increasingly pointed dislike in government circles of the Cuban-Bloc alliance.

Bloc economic overtures in Cuba in the first half of 1960 resulted in (1) a \$100 million credit by the USSR and a \$20 million credit by Czechoslovakia; (2) trade agreements with Czechoslovakia, Poland, and the USSR; and (3) an interbank agreement with East Germany. Bloc technicians began to appear in Cuba in sizable numbers. By mid-July the Bloc had purchased approximately 2.4 million tons of Cuban sugar (valued at about \$160 million) for delivery in 1960, and the USSR had promised to supply Cuba's petroleum requirements. The rapid pace of political and economic developments in recent months points to an increase in Bloc economic activity in Cuba.

Bloc economic efforts in the River Plate countries declined in the face of moves by Uruguay and Argentina to reduce the Bloc's involvement in their economies. Argentina abrogated several of its bilateral agreements with European Satellites, and Uruguay turned down a Soviet proposal that it buy quantities of petroleum in exchange for continued Soviet purchases of wool.

Brazil's anxious search for new markets and foreign credits to finance a vigorous development program gave the Bloc an opportunity to increase its economic influence. Brazil's trade with the Bloc exceeded \$100 million for the first time in 1959 and increased in the first half of 1960.

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I. Bloc Economic Activities in Underdeveloped Areas

A. Patterns and Prospects

In recent months the Bloc has displayed a new eagerness -- at times bordering on outright impatience -- to push its economic offensive on all fronts, especially in Africa and Latin America. At the same time, the Bloc has been intensifying its covert support of local Communist and pro-Communist groups in their attempts to develop positions of influence both inside and outside the legal governmental structure.

Emphasis on assistance for economic development continued, but there were signs that new major military aid agreements were emerging. Although the growing economic power of the Bloc provided the basis for the expanding aid program, the political content and direction of the program were apparent in the choice of target countries, the types of assistance provided, and the timing of aid offers.

The Bloc offensive in underdeveloped areas continues to be a blend of economic, political, and cultural ingredients. In pursuing these activities, radiobroadcasting has become a medium of growing importance. Between June 1959 and June 1960 the weekly hours broadcast from the Bloc to underdeveloped areas increased substantially, with the greatest concentration and largest increase aimed at the Middle East, Africa, and South Asia (see Table 21\*).

During the first 6 months of 1960 the Bloc foreign aid program in underdeveloped areas grew in size and scope. Financial and technical assistance programs, which at midyear were underway in 25 countries, reached new magnitudes for a semiannual period. The rate of credit extensions was higher than in the last 6 months of 1959, the previous peak period. As a result, lines of credit established in the 12 months ending 30 June 1960 account for more than 40 percent of total economic credits and grants provided since the inception of the Bloc foreign aid program in 1954.

An outstanding feature in the evolution of the Bloc economic aid program is the growing importance of large umbrella credits provided by the USSR for general development purposes. Such credits constitute 80 percent of all financial pledges made by Bloc countries in the first 6 months of 1960 and nearly 70 percent of total economic credits and grants extended since January 1954. By offering such credits long before they can be utilized, the USSR reaps substantial propaganda gains at no immediate cost. At the same time, these credits

\* P. 103, below.

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foster the development of state at the expense of private enterprise and assure the recipient country that substantial foreign aid funds will be available when needed to meet the requirements of long-range economic plans.

By extending new credits the USSR sought to consolidate past gains in Indonesia, Iraq, and the UAR as well as to capitalize on prolific opportunities in Cuba. With the signing of these new economic agreements the USSR committed itself to finance a major part of Indonesia's projected industrial development program, to resuscitate the Baghdad-Basra railroad link, to complete the Aswan High Dam, and to succor the revolutionary economic schemes of the Castro regime.

Between the spring of 1959 and the spring of 1960, no significant new Bloc credits for military equipment were extended. Extensive discussions involving substantial funds were held with the governments of Cambodia, Cuba, Ethiopia, Indonesia, and the UAR. The progress of these talks has been such that announcement of Bloc military aid agreements with one or more of these countries can be expected in the near future.

Although the Bloc continued to press its offensive in the Middle East and Asia, notable gains were scored in Africa and Latin America. By midyear 1960, Bloc specialists held an impressive number of positions as advisers to major departments in the governments of Guinea and Cuba. In the former, Bloc experts also were placed in direct charge of government operating units.

Supervision of the Bloc program in Guinea is exercised by Soviet Ambassador Solod -- the first Soviet Ambassador to Egypt and a ranking Soviet Foreign Ministry expert on the Middle East. Specialists from Moscow and Prague serve as high-level advisers to the Ministries of Finance, Public Works, and National Economy and the Plan as well as to the Director of Port Operations. In addition, Czechoslovaks have been appointed by the Government of Guinea to the posts of Director of Airports and Director of News Services.

Bloc relations with Cuba throughout the first 6 months of 1960 were conducted in a calculated manner, with the pledge of Soviet financial support for industrialization and the conclusion of trade agreements with various Bloc countries holding the center of the stage. By the end of June, Premier Khrushchev had accepted an invitation to visit Cuba; the USSR had established a foreign-aid office in Havana; and Bloc experts were serving as advisers in the National Bank of Cuba, the Economic Development Commission, the Institute for Agrarian Reform, the Petroleum Institute, and the Institute of Mining.

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At the same time, Bloc representatives in Cuba apparently cautioned local Communists against hasty attempts to seize power overtly. Instead, they appear to have placed great stress on the importance of gathering de facto control of the revolutionary movement in the hands of the Cuban Communist Party. In this endeavor, emphasis probably also was given to increasing the degree of Communist control over the system of internal security.

Early in July the USSR indicated that it was ready to step up its support of the Castro government. Sergey Kudryavtsev, a former consul at the Soviet Embassy in Ottawa and a highly skilled organizer of espionage networks, was named Soviet Ambassador to Cuba. Shortly thereafter, in the wake of deteriorating US-Cuban relations, Premier Khrushchev publicly announced Soviet diplomatic and financial support for the Government of Cuba in its differences with the United States, thus setting the stage for a new and more intimate relationship between Cuba and the USSR.

B. Credits and Grants\*

1. Extensions

a. 1 January - 30 June 1960

During the first 6 months of 1960, Sino-Soviet Bloc countries extended a record \$786 million in new economic credits and grants to underdeveloped countries (see Figure 1\*\*). The USSR provided most of this sum, and all but a minor fraction was in the form of credits (see Table 1\*\*\*).

b. 1 January 1954 - 30 June 1960<sup>†</sup>

By the end of June, Bloc credits and grants extended to underdeveloped countries passed the \$4 billion mark -- \$3.2 billion.

\* Credit and grant extensions refer to minimum amounts of assistance earmarked under bilateral general assistance or project agreements. Bloc credit and grant obligations refer to those portions of credits and grants extended which have been designated for specific uses or for which utilization has been arranged by firm construction or delivery contracts. Credit and grant drawings refer to those portions of credits and grants extended and obligated which have been spent for Bloc equipment or for the services of Bloc personnel.

\*\* Following p. 10.

\*\*\* Table 1 follows on p. 10.

<sup>†</sup> For statistical details, see Tables 8 and 9, pp. 79 and 80, respectively, below.

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Table 1

Bloc Credits and Grants Extended to Underdeveloped Countries  
January-June 1960

Bloc Country	Underdeveloped Country	Amount (Million Current US \$)			Purpose
		Total	Credits	Grants	
Total		<u>785.7</u>	<u>757.6</u>	<u>28.1</u>	
USSR	Afghanistan			3.5	Wheat
	Cuba		100.0		Economic development
	Guinea			0.2	Patrol boats
	Indonesia	250.0			Economic development
	Indonesia			2.4	Hospital
	Iraq	45.0			Baghdad-Basra railroad
	UAR -- Egypt	287.0			Aswan High Dam
Czechoslovakia	Cuba		20.0		Economic development
	India		1.7		Tire factory
	UAR -- Egypt		20.8		Equipment and machinery
East Germany	Ghana		3.1		Industrial projects
Poland	India		30.0		Industrial projects
Communist China	Guinea			1.0	Rice
	Nepal			21.0	Economic development

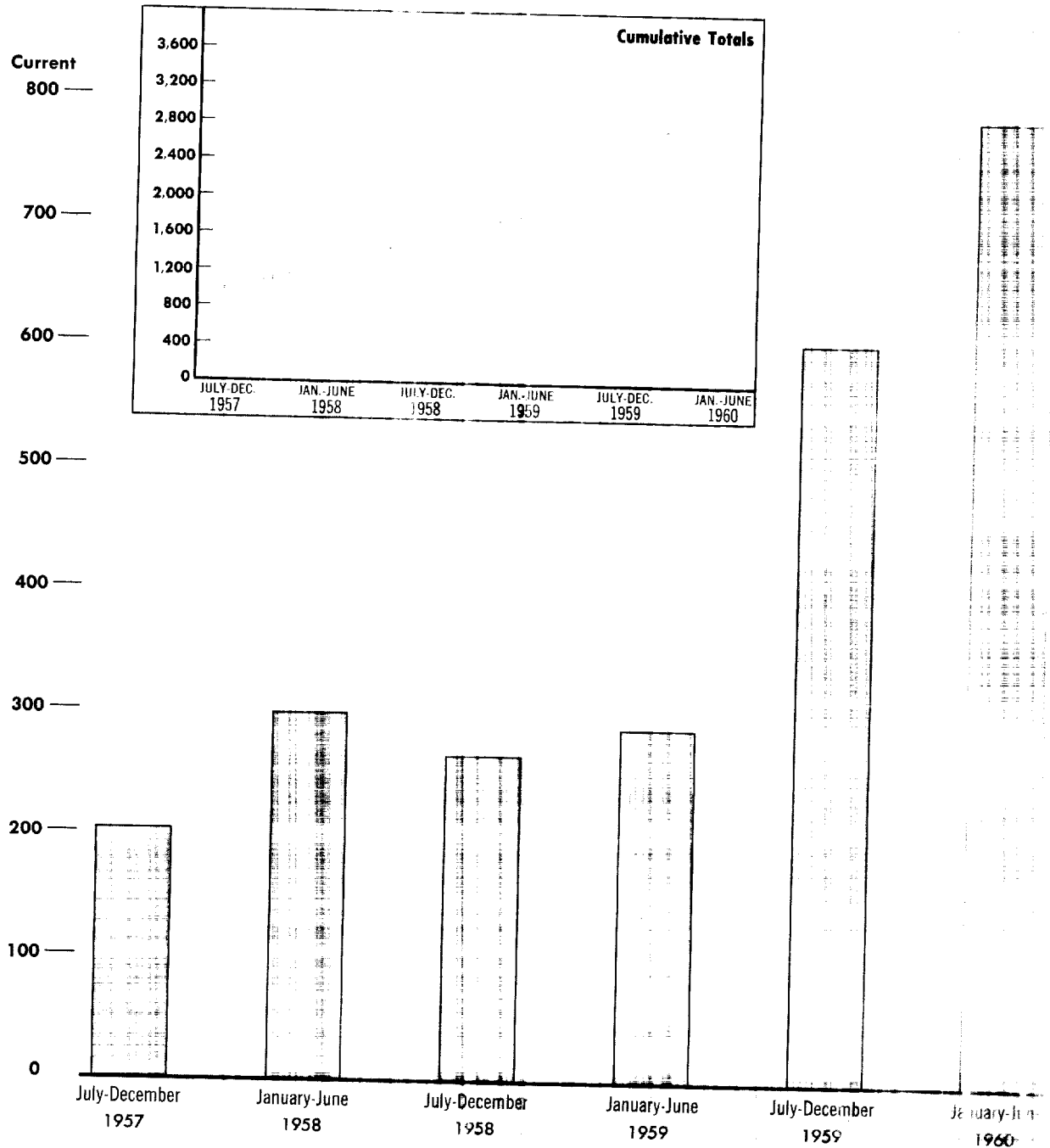
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# **EXTENSIONS OF BLOC ECONOMIC CREDITS AND GRANTS TO UNDERDEVELOPED COUNTRIES, BY 6-MONTH PERIODS**

July-December 1957 to January-June 1960



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Figure 1

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for economic and \$0.8 billion for military assistance (see Table 2). The USSR alone accounted for more than 75 percent of the aid provided for all purposes.

Table 2

Bloc Economic and Military Credits and Grants  
Extended to Underdeveloped Countries, by Recipient Area a/  
January 1954 - June 1960

<u>Area</u>	<u>Total</u>	<u>Economic</u>	<u>Military</u>
Total (million current US \$)	<u>4,054</u>	<u>3,231</u>	<u>822</u>
<u>Percent of total to countries in:</u>			
Middle East	47	40	75
Africa	4	5	Negligible
Asia	40	44	25
Europe	3	4	0
Latin America	6	7	0
Total	<u>100</u>	<u>100</u>	<u>100</u>

a. For additional details, see Table 9, p. 80, below.

The Bloc credit program is coming more and more to be dominated by large umbrella credits provided by the USSR for general economic development schemes. Nearly 70 percent of total Bloc economic assistance since January 1954 is represented by 13 major lines of credit -- each of which is for \$100 million or more -- all extended by the USSR to 9 underdeveloped countries.\* Among these countries, only India, with its comprehensive economic plans, has entered into negotiations for large umbrella credits with specific and detailed proposals concerning allocations of the funds to be provided.

\* For details of these lines of credit, see Table 11, p. 83, below.

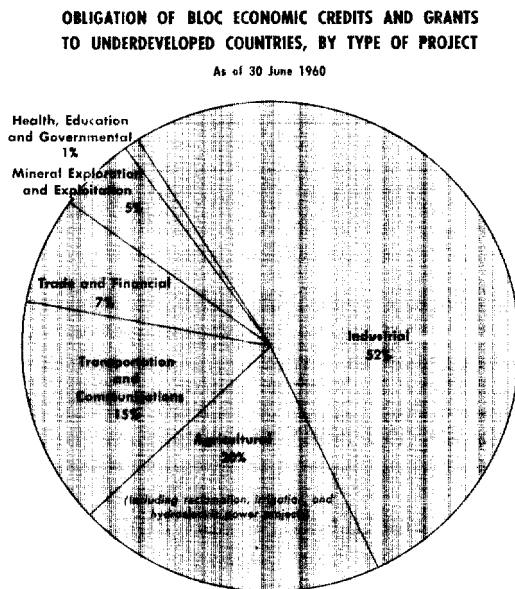
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## 2. Obligations\*

### a. Current and Cumulative

Preliminary survey work and negotiations on projects being considered under existing economic and technical accords during the first 6 months of 1960 resulted in agreements that obligated almost \$900 million of outstanding credits and grants. By late June, 80 percent of Bloc credits and grants extended for economic and military purposes had been obligated, thus maintaining about the same proportion that prevailed at the end of 1959.

### b. Allocation of Economic Aid



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Figure 2

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More than one-half of all funds obligated under the Bloc's economic assistance program have been channeled into projects that will contribute directly to an expansion of manufacturing industry in underdeveloped countries (see Figure 2). These projects range in size from small textile and ceramics plants to a large steel mill. One-fourth of the amount obligated has been directed into activities that will extend the resource base and boost output in the extractive industries -- constructing huge dams for reclamation, irrigation, and hydroelectric power in agricultural regions; surveying for new mineral deposits; and modernizing mining facilities and techniques. Substantial allocations also have been made for expanding the transportation and communications net-

work that provides services essential to the development of all economic sectors.

## 3. Drawings\*\*

In the first 6 months of 1960, drawings on Bloc credits and grants reached \$135 million, more than half of which went for

\* For statistical details, see Table 8, p. 79, below.

\*\* For statistical details, see Tables 8 and 10, pp. 79 and 82, respectively, below.

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economic aid projects. By midyear, virtually the entire \$820 million provided under military aid agreements and 20 percent of the more than \$3.2 billion extended for economic assistance had been spent. Drawings in the half-year period ending 30 June 1960 accounted for about 14 percent of total expenditures for goods and services under Bloc economic aid agreements which had been made by that date. Figure 3\* shows the proportion of extensions, obligations, and drawings for each major component of the Bloc.

At an annual rate, drawings on economic and military credits and grants for the first half of 1960 were 30 percent less than the average for 1958 and 1959. Expenditures for these earlier years reflected the high level for deliveries of military items and for materials and equipment used at the Bhilai steel plant. Toward the end of 1960, as construction is accelerated on a number of large projects for which funds were obligated during the last 12 months, drawings may be expected to approach again the level posted in 1958-59.

Drawings on economic credits have remained about the same since 1957, whereas repayments have been increasing. This means that the net burden of the economic aid program on the Bloc economies, always very small, has been falling moderately. The provision of military items, a considerable proportion of which has come from stocks of retired equipment, has imposed only a slight economic burden on the Bloc. Furthermore, the payment for these items tends to compensate the Bloc for some of the cost involved in providing economic goods and services on credit. By continuously building up its extensions of credit amid a barrage of publicity, the Bloc has reaped vast propaganda gains by posing as the champion of economically retarded countries.

C. Technical Assistance

1. Scope and Content

Bloc technical assistance constitutes a broad program that includes (a) provision of Bloc technicians for military and economic aid projects in underdeveloped countries and (b) training nationals of underdeveloped countries at various institutions in the Bloc.

In the first 6 months of 1960, 6,900 Bloc technicians of all types were present in underdeveloped countries for a period of 1 month or longer, compared with 6,500 in the last 6 months of 1959. The changes between the two half-year periods reflect a decrease in the number of military and an increase in the number of economic

\* Following p. 14.

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technicians present. Figure 4\* shows the number present in each country during the first half of 1960.

Nationals of underdeveloped countries who had completed or were still pursuing courses of instruction at military, academic, and technical training centers in the Bloc are estimated to have totaled 9,400 by midyear 1960. The countries with the largest numbers of nationals so engaged were the UAR, Indonesia, India, and Iraq.

2. Bloc Techniciansa. Military

The decrease in the number of Bloc military specialists present in underdeveloped countries during the first half of 1960 indicates that Bloc programs for training indigenous military personnel in several of these countries had passed their zenith (see Table 3). This decline also reflects the hiatus in extensive new military assistance agreements that characterized the period between the spring of 1959 and the spring of 1960.

Table 3

Bloc Military Technicians in Underdeveloped Countries a/  
July-December 1959 and January-June 1960

<u>Underdeveloped Country</u>	<u>Persons</u>	
	<u>January-June 1960</u>	<u>July-December 1959</u>
Total	<u>1,225</u>	<u>1,510</u>
Afghanistan	240	200
Guinea	10	5
Indonesia	80	160
Iraq	170	150
UAR -- Egypt	500	635
UAR -- Syria	200	270
Yemen	25	90

a. Minimum estimate of the number of persons present for 1 month or more. Numbers are rounded to the nearest five.

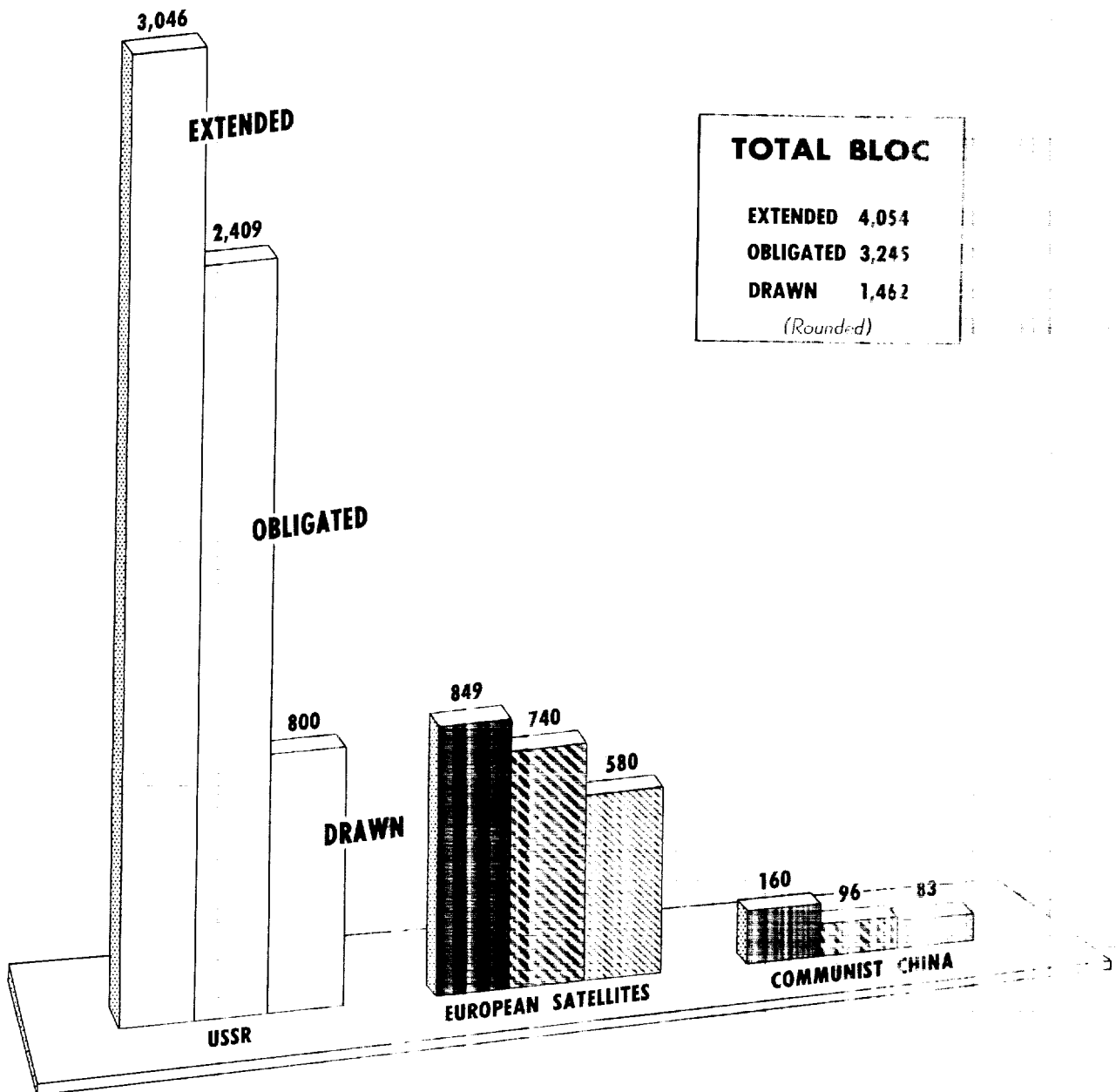
\* Following p. 14.

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## BLOC CREDITS AND GRANTS TO UNDERDEVELOPED COUNTRIES

January 1954 - June 1960

Million US dollars



31275 8-60

Figure 1

**SECRET**

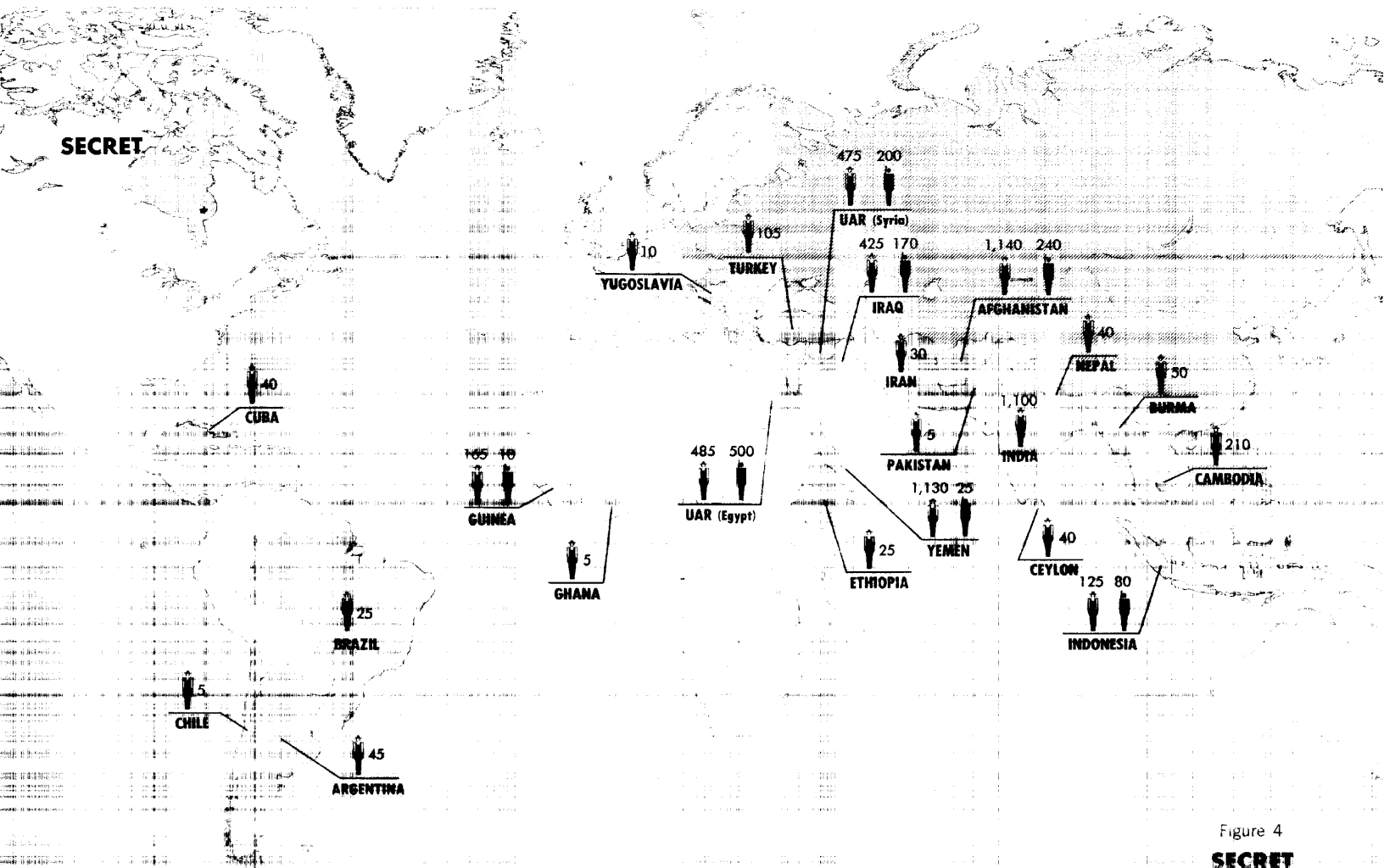


Figure 4

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**BLOC ECONOMIC AND MILITARY TECHNICIANS  
IN UNDERDEVELOPED COUNTRIES**

January-June 1960

Military technician

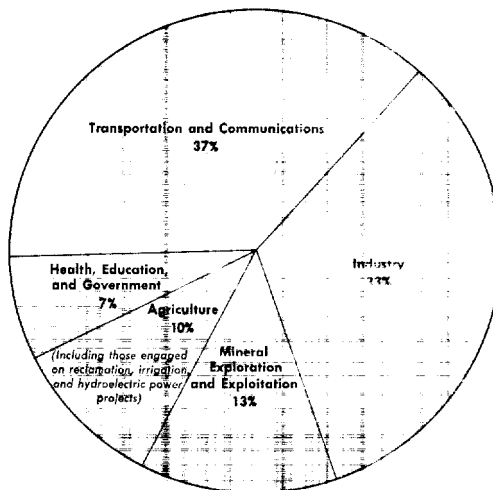
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b. Economic

The presence of more Bloc economic technicians in underdeveloped countries during the first half of 1960 illustrates the progress that has marked implementation of the major economic aid agreements extant at the turn of the year. Table 4\* shows the importance of the USSR in this phase of the Bloc technical assistance program as well as the geographical concentration of Bloc personnel engaged on economic projects in underdeveloped areas.

Examination of the distribution of Bloc personnel according to the type of economic development project on which they were engaged during the first half of 1960 indicates that projects in the fields of transportation and communications and projects directly affecting the growth of the manufacturing industry employed the greatest number of Bloc technicians (see Figure 5). The relative importance of the number of Bloc personnel in this category reflects the comparatively short lead time required to plan and to get underway the construction of roads, airfields, and telecommunications facilities. On the other hand, projects that have as their aim an expansion of agricultural and mineral production necessarily require a longer time for planning and for actually getting operations started.

BLOC ECONOMIC TECHNICIANS IN UNDERDEVELOPED COUNTRIES  
BY TYPE OF PROJECT ON WHICH THEY ARE ENGAGED  
January-June 1960



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Figure 5

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3. Free World Traineesa. Military

Since early 1955 a total of 4,200 men from the military forces of underdeveloped countries have been trained or are presently enrolled in military schools in the Bloc, chiefly in Poland

\* Table 4 follows on p. 16.

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Table 4

Bloc Economic Technicians in Underdeveloped Countries a/  
 July-December 1959 and January-June 1960

	January-June 1960 <u>b/</u>	July-December 1959
Total number of technicians	5,680	5,025
Percent of total present in:		
Middle East	67	65
Asia	28	31
Percent of total provided by:		
USSR	65	63
European Satellites	18	20

a. Minimum estimate of the number of persons present for 1 month or more.

b. For additional details, see Table 12, p. 84, below.

and the USSR.\* Of this number, 65 percent have come from the Middle East -- primarily Afghanistan, Iraq, and the UAR -- and most of the remainder have come from Asia, mainly Indonesia.

b. Academic and Technical

In addition to those who have been assigned to Bloc military training centers, 5,200 persons from underdeveloped countries have pursued or are now pursuing courses of instruction at Bloc universities and technical training centers.\*\* By late June 1960, 2,800 of this number had matriculated in institutions of higher learning and another 2,400 had enrolled in technical training schools. About 60 percent of the academic and 45 percent of the technical trainees came from the Middle East, whereas 20 percent of the academic and 55 percent of the technical trainees came from Asia. Most of the university students and technical trainees have gone to the USSR.

\* For statistical details, see Table 13, p. 85, below.

\*\* For statistical details, see Tables 14 and 15, pp. 86 and 88, respectively, below.

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D. Trade

1. Value\*

Trade between the Bloc and underdeveloped countries in 1959 remained at about the same level as in 1958 (see Table 5\*\*), whereas between 1956 and 1958 there was an average annual increase of 20 percent. The relative stability registered in 1959 was the result of an 11-percent growth in Bloc imports and an 8-percent decline in Bloc exports. Comparison of trade for 1958 and 1959 between each of the three principal regions of the Bloc and the underdeveloped countries reveals divergent trends. The USSR recorded a 5-percent increase, Communist China posted a 3-percent decline, and the European Satellites remained the same. Although the European Satellites retained their preeminent position in Bloc trade with underdeveloped countries, the USSR increased its share to 36 percent of the total.

2. Direction

A 13-percent decline in Bloc trade with the Middle East -- a region that accounted for 40 percent of trade turnover in recent years -- was the main factor underlying the precipitous drop in the rate of growth in trade between 1958 and 1959 (see Table 6\*\*\*). Had it not been for the substantial increase in Bloc imports from underdeveloped countries in Asia, total trade would have declined. Unlike its commerce with Asia, Bloc trade with Africa was of such minor quantitative importance that the 44-percent rise in Bloc trade with this area had only a slight effect on over-all trade with underdeveloped countries. Although Bloc trade with Latin America did not weigh heavily in the aggregative balance, the basis was established for a dynamic growth in future trade, especially with Cuba and Brazil.

a. Middle East

Almost every major country in the Middle East reported a decline in exports to the Bloc. The principal factors contributing to this slump were (1) smaller purchases of Turkish and Greek tobacco, combined with lower tobacco prices, and (2) reduced purchases of UAR cotton, the first such decline since the signing of the original arms agreement with Czechoslovakia in 1956.

\* For statistical details, see Tables 16, 17, and 18, pp. 89, 90, and 94, respectively, below.

\*\* Table 5 follows on p. 18.

\*\*\* Table 6 follows on p. 18.

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Table 5

Bloc Trade with Selected Underdeveloped Countries, by Bloc Area a/  
1958 and 1959

Million Current US \$						
Area	Total		Exports		Imports	
	1959	1958	1959	1958	1959	1958
Total Bloc	<u>2,266</u>	<u>2,237</u>	<u>1,085</u>	<u>1,174</u>	<u>1,181</u>	<u>1,063</u>
USSR	808	769	343	383	465	386
European Satellites	1,053	1,049	524	556	529	494
Communist China	405	419	218	235	187	184

a. For additional details, see Tables 17 and 18, pp. 90 and 94, respectively, below.

Table 6

Index of Change in Bloc Trade with Underdeveloped Countries a/  
1959

1958 = 100			
Area	Total Trade	Bloc Exports	Bloc Imports
All areas	101	92	111
Middle East	87	88	87
Africa	144	129	166
Asia	114	86	147
Latin America	106	117	99
Europe	104	93	120

a. Based on trade in current prices.

Although the reduction in Middle East imports from the Bloc was distributed throughout the region, it affected the UAR more than all of the other countries combined. As a result, the UAR re-established its normal export surplus with the European Soviet Bloc -- a surplus that must be continued in subsequent years if the UAR is to meet its payments on Bloc military and economic loans.

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b. Asia

The rise in Bloc trade with underdeveloped countries in Asia was entirely attributable to a sharp upswing in Bloc imports, especially rubber purchases in Malaya. Bloc imports of rubber from Malaya increased 27 percent in quantity compared with 1958, whereas rubber prices averaged 25 percent higher. This boom in imports from Malaya was largely the result of a shift by the USSR away from purchases of Malayan rubber through the UK.

3. Importance of Bloc Countries as Trading Partners

Preliminary data show that the industrial countries of the Free World experienced a leveling off in their trade with underdeveloped countries that was similar to that noted for the Bloc, indicating that the relative shares in the trade of underdeveloped countries represented by the two power groups in 1959 remained about the same as in 1958 -- 93 percent for the industrial countries of the Free World, 7 percent for the Bloc.

The general decline in the average rate of growth in trade between the Bloc and underdeveloped countries taken as a whole tends to obscure the importance of Bloc trade for certain of them. Those countries that conducted more than 10 percent of their commerce with the Bloc are listed in Table 7.\*

4. Agreements

On 30 June 1960, commercial agreements in effect between the Bloc and underdeveloped countries totaled 196 -- the same number in force at the beginning of the year (see Tables 19 and 20\*\*). Five new agreements were concluded during the first 6 months of the year: one by Tunisia with East Germany and the others by Cuba with East Germany, Czechoslovakia, Poland, and the USSR. In the same period the following five trade pacts were either terminated by the underdeveloped countries concerned or allowed to lapse: India and Lebanon with Communist China, Lebanon with Hungary, Burma with Czechoslovakia, and Argentina with East Germany.

By midyear 1960, both Burma and Argentina had terminated all their barter arrangements with the European Satellites and Communist China. The Burmese actions grew out of the persistence of imbalances in barter accounts with Bloc countries and reflected a determined policy to return to the more conventional methods of multilateral clearing in convertible currencies. Argentine moves toward

\* Table 7 follows on p. 20.

\*\* Pp. 98 and 101, respectively, below.

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greater multilateralism followed recommendations of the International Monetary Fund in connection with support provided by the Fund for the exchange and currency reform programs of the Frondizi government.

Table 7

Bloc Share of the Trade of Selected Underdeveloped Countries a/  
1958 and 1959

Area and Country	Percent			
	Exports		Imports	
	1959	1958	1959	1958
<u>Middle East</u>				
Afghanistan	25	23	40	38
Greece	17	16	8	7
Turkey	12	24	10	18
UAR -- Egypt	52	44	30	29
UAR -- Syria	12	31	11	12
<u>Africa</u>				
Guinea	17	Negligible	8	Negligible
<u>Europe</u>				
Iceland	34	35	31	32
Yugoslavia	31	29	25	28
<u>Latin America</u>				
Uruguay	28	21	9	5

a. Countries conducting 10 percent or more of their trade with the Bloc.

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## II. Bloc Activities in Underdeveloped Areas, by Area and Country

### A. Middle East

#### 1. Afghanistan

During the first half of 1960 the Soviet Bloc, particularly the USSR, maintained major economic, propaganda, and cultural offensives in Afghanistan. While in Kabul for a state visit during March, Khrushchev identified the USSR with the policies and outlook of the Afghan Government. He endorsed self-determination for the Pushtuns on Pakistan's side of the border and praised the Afghans for being determined and courageous anti-imperialists throughout their history. He approved the government's social reform policies and endorsed Afghanistan's economic development program, assuring the Afghans that the USSR would continue to support Afghanistan with economic assistance in the future. He prophesied -- correctly -- that with Soviet help oil would soon be discovered in northern Afghanistan.

Khrushchev also signed an Afghan-Soviet cultural agreement which calls for the expansion of cultural relations. During the period under review, two additional chapters of the Afghan-Soviet Friendship Society were established. The USSR continues to exploit the traditional strength of Russian scholarship in the history, culture, and languages of Central Asia in order to ingratiate itself with nationalist-minded Afghan leaders and with the Afghan public at large.

The USSR's short-run strategic objectives in Afghanistan appear to be (a) to deny Afghanistan to the West in order to protect perhaps the most sensitive region of the USSR, Soviet Central Asia; (b) to create difficulties for Iran and Pakistan and thereby weaken CENTO; and (c) to make Afghanistan a showcase for "peaceful coexistence." The USSR does not appear to envision takeover or satellization except as, possibly, a very long-range objective.

The impact of Bloc activities on Afghanistan has been significant in the economic and psychological spheres. The economic integration of the two countries is increasing. Soviet assistance and propaganda have reduced somewhat the traditional Afghan mistrust of the individual Russian and of the Soviet state and have created an awareness of Soviet achievement in science among limited educated groups. The political impact of Bloc activities on Afghan domestic politics has been slight. The number of Soviet advisers to the Afghan Government continues to increase, but there is still no evidence that they play more than an advisory role. There continues to be no evidence of Soviet subversion or of Soviet technicians engaging in political activities.

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Bloc credit offers and agreements, military and economic, are well-conceived to exploit the particular ambitions and problems of the country and are closely coordinated with other efforts to expand Bloc influence in Afghanistan. The performance of the Bloc in implementing economic development projects has been satisfactory, the major problem being the shortage of local currency and skilled labor within Afghanistan. The performance so far has made a favorable impression on the Afghans, and it has led them to continue close economic and military relations with the Bloc.

The Bloc's economic assistance efforts in Afghanistan during the first 6 months of 1960 were highlighted by rapid implementation of the Kushka-Kandahar road grant and the discovery of significant petroleum resources by Soviet, Czechoslovak, and Rumanian oil exploitation teams, operating in northern Afghanistan under the 1957 exploration agreement. By May, four producing wells had been brought in with reserves estimated at 45 million metric tons of oil and 22 billion cubic meters of gas under pressure -- amounts far in excess of Afghanistan's present and foreseeable future requirements. The discovery was promptly followed by a Soviet offer of assistance in producing, refining, and marketing the oil and gas.

In June a delegation was sent to Moscow apparently to negotiate for Soviet aid to carry out the Afghan Second Five Year Plan. Afghanistan will require approximately \$25 million in local currency during fiscal year 1960/61 to finance major Soviet projects, including the Naghlu hydroelectric station, the Darunta irrigation project, the Salang Pass road, and the Kushka-Kandahar road. Afghanistan does not have the necessary local funds to proceed with the projects at the rate the USSR would like, and the USSR is pressing Afghanistan to implement an agreement signed in 1959 for the import of consumer goods on credit to generate local currency. The USSR extended a grant of 50,000 tons of wheat to alleviate acute grain shortages in Afghanistan.

In January, Afghanistan ratified an agreement with the USSR for the construction of the 470-mile Kushka-Kandahar highway. The USSR apparently is constructing a narrow-gauge railroad from Kushka to Herat in order to facilitate the transportation of men and material during construction. Approximately 500 Soviet specialists will assist in the building of this road.

Two major agreements for hydroelectric development were signed with the USSR in January. A contract was signed for aid for the construction of the Naghlu hydroelectric station, to be financed under the \$100 million credit extended in January 1956, and a \$22.4 million contract was signed providing for the construction of a dam

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and hydroelectric powerplant on the Kabul River at Darunta Gorge, near Jalalabad.

Twelve Soviet engineers surveyed the Chakhansur area of the lower Helmand Valley in May. It appears that the USSR is contemplating extending aid for construction of a diversion dam on the lower Helmand after the United States showed little enthusiasm for the project.

The USSR in 1959 continued to be Afghanistan's most important trading partner, accounting for about 30 percent of its total trade. The USSR supplies a number of key products to Afghanistan and in return takes Afghanistan's agricultural exports.

Following the pattern of events beginning in 1954, Bloc influence and especially Soviet influence in certain fields have grown during the period under review. There is every indication that this growth will continue.

2. Cyprus

The Bloc was not permitted official representation in Cyprus before the achievement of its independence, scheduled for August 1960. Meanwhile, the Bloc is engaged in a trade promotion drive in Cyprus. Initiative for the development of trade has come both from visiting Bloc trade representatives and from the active local left-wing trading organization, LOEL. Attractive offers have been made by the Bloc to purchase agricultural products -- citrus fruits, tobacco, and raisins -- that Cyprus is having difficulty in marketing. There also have been reports of Bloc willingness to furnish financial and technical assistance to Cyprus, and official overtures probably will be advanced when Cyprus achieves independent status.

In March a Cypriot industrialist signed an agreement with the Soviet trading corporation Tekhnoeksport which provides that the USSR will supply machinery for the first automatic flour mill on the island. This is the Bloc's first economic assistance project on Cyprus. The USSR reportedly agreed to accept agricultural products in payment for the equipment.

In view of the difficulty that Cyprus is having in marketing certain agricultural products, Cypriot authorities find it virtually impossible to refuse to sanction commercial transactions between Cypriot firms and the Bloc in spite of the fact that many of them are wary of Soviet interest in developing economic ties with Cyprus. In early 1960, approximately a dozen commercial agreements were concluded or under negotiation between private Cypriot firms and

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Bloc countries. Involved in these arrangements are some of the oldest and most respected Cypriot firms, which claim that they trade with the Bloc only in the absence of alternative markets for agricultural surpluses. In these dealings the major Bloc trading partners are Rumania and Czechoslovakia. Exports from Cyprus are chiefly fruits, raisins, tobacco, asbestos, and iron and copper pyrites, and imports from the Bloc are timber, cement, textiles, and glassware.

In 1959, Cyprus's total trade was about \$168 million, of which about \$4.2 million, or about 2.5 percent, was with the Bloc. Czechoslovakia and Rumania accounted for about 90 percent of total Bloc trade. It is likely that exports to the Bloc will increase in 1960 because many of the private trading arrangements were concluded in late 1959 and shipment will not be made until 1960. Some evidence of this trend is found in the fact that in December alone \$400,000 worth of Cypriot exports went to the Bloc compared with only \$800,000 for the first 11 months of 1959.

The Bloc can be expected to pursue its program to expand trade relations with Cyprus. The Cypriot Government will be under pressure not only from left-wing elements on the island but also from farmers and businessmen to permit commercial exchanges to increase. Although trade with the Bloc is expected to increase in the months ahead, it is unlikely that the Bloc will displace traditional Western sources of supply. Whether Cyprus, once it is independent, will seek aid from the Bloc will hinge upon a number of factors, particularly the availability and magnitude of assistance from the West.

### 3. Greece

Greece has been under increasing Soviet Bloc pressure during the past 2 years in a revived Soviet effort to disrupt stability in the Aegean area and to undermine the Western defense system. Greek reaction to this Soviet interference in the internal affairs of Greece was clear and strong on the part of the government as well as from all non-Communist circles.

The Soviet Bloc, acting in concert with the local Communists, has exploited the serious urban and rural unemployment situation and has effectively exploited interparty strife among the non-Communists. In addition, the local Communists control the local opposition party in Parliament.

The Greek Government signed an agreement on 3 March with the Polish firm CEKOP for the construction of the sugar beet mill at Serres in eastern Macedonia. The foreign exchange cost for the mill will be about \$4.2 million, 90 percent of which Greece will repay to

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Poland by the export of agricultural products (mainly tobacco) with the remainder to be repaid in dollars. The factory is to be completed in 40 months. The Poles also were awarded a contract in late 1959 for the construction of a cold storage plant in northern Greece. These are the first instances of the acceptance by Greece of capital investment projects from a Soviet Bloc country.

In another departure from past policy, the Greek Ministry of Industry signed an oil exploration agreement with Rumania on 13 March that will admit three to five Rumanian oil technicians into central Greece. Payment will be through the Greek-Rumanian clearing account.

Although in the past the Greek Government has permitted Czechoslovak technicians to come into the country to service Czechoslovak equipment, it has opposed any long-term assignment of Bloc technicians. The oil exploration agreement with Rumania is the first departure from this policy. In addition, Polish technicians will aid in the construction of the sugar beet mill and cold storage plant.

Although the USSR continued to make offers of economic aid, the Greek Government opposed any large-scale Bloc deals. However, after many years of Bloc pressure for civil air agreements, the Greek Government did conclude an agreement on 17 June with Czechoslovakia granting the Czechoslovaks overflight rights on their Prague-Cairo route and landing rights on their Prague-Athens-Damascus-Baghdad route. A Greek-Rumanian air agreement was reached on 4 May providing for regular flights between Athens and Bucharest.

The government has taken measures to increase trade with the Bloc as a means of increasing exports of surplus agricultural commodities. Two of the noteworthy barter deals approved by the Greek Government during the review period were (a) the exchange of \$3 million worth of Czechoslovak telecommunications equipment for Greek tobacco and (b) the exchange of \$3.5 million worth of East German refrigerator cars for tobacco and fruit.

In 1959 the Soviet Bloc accounted for 7.5 percent of Greek imports and 16.5 percent of Greek exports -- about the same as in 1958. The most important of Greece's Bloc trading partners continued during 1959 to be the USSR, which accounted for 35 percent of Greek exports to the Bloc and 38 percent of Greek imports from the Bloc. Chief Greek imports from the USSR were petroleum and forestry products, and primary Greek exports were tobacco and other agricultural products.

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4. Iran

The USSR has continued its efforts to neutralize Iran and thereby reduce the influence of the United States in the area. Both Radio Moscow and the "national Voice of Iran," a clandestine station, continued their sharp personal attacks against the Shah and his supporters. The Soviet Ambassador in Tehran left in February and has not returned. Recently the Shah recalled the Iranian Ambassador in Moscow for consultation. The Tudeh (Iranian Communist) Party continues to be disorganized and generally ineffectual within Iran as the police and the national security organization continue their harassment.

Two of the three Bloc economic projects were completed in the first half of 1960, and no new offers of economic assistance to the government have been made. The 16,000-metric-ton grain-storage elevator at Shiraz, which was built with the aid of Soviet technicians and supplied with Soviet equipment, was finished in February. This project, financed by the Plan Organization, had been started by the USSR before World War II. Also in February, experimental production began in the privately owned Fariman sugar beet mill built and equipped by the Polish firm CEKOP, which extended a \$2.5 million credit payable over a period of 8 years at 3 percent interest. This mill was completed with remarkable speed by Iranian standards. Iranians connected with the project were impressed with the plant and equipment and professed to see no connection between this type of economic venture and political relations with the Bloc. In addition, they differentiated between dealing with the Poles as opposed to the Russians. CEKOP also is constructing another privately owned sugar beet mill at Shanzar northeast of Meshed under a \$3.6 million credit, payable over 6-1/2 years at 3 percent interest. This mill is scheduled for completion in early 1961.

Two additional private credits were reported during the period. The Pashma Baf textile factory at Esfahan concluded a contract with the Soviet Trade Agency for \$334,320 worth of textile machinery, with a payment of 10 percent to be made 10 days after signing the contract and 80 percent to be paid in 48 equal monthly installments beginning 1 year after the signing. The other 10 percent is unaccounted for. The Shahnaz textile factory, also in Esfahan, was reported to be completing the installation of 300 new looms from Czechoslovakia, presumably under an old credit. The price reportedly was \$280,000 installed, 50 percent below the lowest US bid. Credit terms were over a 2-year period with no interest charges. This company reportedly plans to order 700 more looms from the Czechoslovaks.

During the period, representatives of a Soviet trade mission intensified their efforts to sell industrial machinery on a

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long-term payment basis at 2.5 percent interest. Negotiations also reportedly were in progress between Poles and Iranians for the supply of other capital goods. There has been no evidence of coordination or specialization among Bloc countries, and in fact there has been competition among them especially for the sale of industrial machinery.

At least 5 Soviet nationals were working at Shiraz on grain storage facilities, and about 25 Polish technicians are believed to be working on two sugar mills near Meshed [redacted]

25X1

25X1

[redacted] The only Bloc technicians who have been received in a friendly fashion have been the Poles, who often speak French and refuse to be identified as Communists. All of the technicians are considered fully competent.

25X1

The Soviet Bloc economic offensive in Iran continues to be concentrated in the trade sphere. Although trade with the Bloc in the first half of 1960 declined from the level recorded in the comparable period of 1959, trade for the entire year probably will approximate the 1959 level. The USSR remains the most important purchaser of Iranian goods, excluding oil, and it is by far Iran's most important Bloc trading partner. Although other sources of imports are open to Iran, no comparable market exists for agricultural commodities and minerals originating largely in northern Iran.

Principal evidence of Bloc efforts to expand trade with Iran was the increase in commercial representatives. The Soviet Trade Agency now has a staff of 83 Soviet citizens, 67 of whom are in Tehran and the others in Meshed and Tabriz, compared with only 26 in 1954. Hungary, Poland, Rumania, and Czechoslovakia have trade representatives in Tehran. Included in the staff of the Soviet Trade Agency are at least 25 specialists in such fields as mining, wool, leather, dried fruit, and machinery. At least 15 of the staff are known or suspected to be intelligence agents.

There has been no significant change in Soviet Bloc activity in Iran during the review period. The few Bloc projects are being completed, and no new ones are underway. Trade has remained at previous levels and is not expected to vary to any great extent in the near future. The Iranian distrust and fear of the USSR preclude any large-scale Soviet Bloc economic penetration of the country.

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5. Iraq

An improvement in relations with the West (except France) and a general falling off of regard for the Sino-Soviet Bloc have characterized the Iraqi scene. In late 1959, following the unsuccessful attempt on the life of Kassem and an intense UAR propaganda campaign against him, there were indications that the resulting pressures might drive Kassem firmly into the local Communist and Bloc grip. Such did not prove to be the case. Aware of his waning personal popularity, and in the wake of the abatement of UAR attacks on him, Kassem has since maneuvered cautiously to prevent any political group from gaining the upper hand. At the same time, he has been at pains to see that the local Communists bore the brunt of public dissatisfaction with the lagging economy, stalled development program, and administrative ineptitude. This also has redounded to the disadvantage of the Bloc.

Kassem has chosen to harass the Communist Party obliquely rather than openly because he feels that he may need Communist support again in the event that Nasser reopens his campaign against him. Communist and fellow-traveling ministers have been shunted into less responsible posts but in general not removed from the government. In February the Minister of Agrarian Reform and Acting Minister of Oil, a principal advocate of closer relations with the Bloc, was removed by Kassem. Instead of refusing to license the Communist Party, Kassem deliberately conferred a license on an unimportant splinter group of the Party. The government, at least temporarily, conceded to the Communists control of the teachers and students unions but has steadily moved against them in the other labor and peasant organizations. And, although Communist propaganda is as vociferous as ever, anti-Communist publications are permitted, even encouraged, to counterattack. Phrases such as "ruble diplomacy" have begun to be used by them.

Once it became clear that official sanction no longer cloaked the Communist Party, public indignation at its overeager drive for power began to show itself. Educated Iraqis who are anti-Communist felt able to voice their feelings, and the larger number of fellow-travelers, who are essentially opportunists, began a scramble for the safer side of the fence. In part, the changed atmosphere reflects disappointment with the achievements of the new regime to date. An even more important ingredient is Iraqi disillusionment with the overpublicized Bloc technical assistance on which widespread hopes had been pinned as a panacea for the country's economic ills. Public feeling has shown itself to the extent of physical reprisals for Communist mob actions.

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An unofficial visit by Soviet Deputy Premier Mikoyan in April failed to affect either Kassem's views or the general climate of opinion. Official relations with the USSR and Bloc countries, however, are carefully maintained on a cordial level.

Visible progress and benefit to Iraq under the Soviet aid agreement of March 1959 continue to be lacking. With the exception of activity on the Basra-Baghdad railroad, government farms, and a broadcasting station, the work to date has been of a type that has little impact on either the broad masses of people or even a considerable segment of the more sophisticated groups. The USSR has moved forward on surveying a number of projects but has found no magic formula to expedite construction in the face of the disintegration of Iraq's managerial organization, shortage of technical skills, and paralysis of the decision-making machinery. In the commercial field, merchants dealing with the Bloc have complained of high transit losses due to poor packing, difficulties in reaching adjustments with suppliers, poor delivery schedules, and difficulties in obtaining service and spare parts, all of which have tended to offset considerations of price. Only the Czechoslovaks have thus far escaped these criticisms to a significant degree.

In spite of disappointment with the earlier agreement, the Iraqi Government in May accepted a Soviet aid commitment of an additional \$45 million to be used for a key development project, the major rehabilitation of the Basra-Baghdad railroad. The Czechoslovaks also offered a credit of \$30 million to Iraq in February for several small projects having immediate domestic propaganda value. Although under great pressure to show progress in development, the Iraqi Government has not acted upon the offer.

A contract under the original Soviet aid agreement was signed on 2 April between the Iraqi Government and the Soviet Tekhnokseksport organization for oil exploration in a 250-square-mile area near Khanaqin. Contracts also have been signed for Soviet assistance for construction of a shipyard at Basra and for the installation of 3 automatic telephone exchanges. Soviet technicians are currently carrying out several obligations under the 1959 credit agreement. Conversion of the Basra-Baghdad railroad from meter to standard gauge was begun on 14 February 1960; sites have been selected and work has started on 5 government experimental farms and on tractor stations to serve them; and installations of four 1,000-kilowatt radio transmitters are scheduled to be finished by the end of 1960. A team of Soviet experts is in Iraq to study methods of improving navigation on the Tigris and Euphrates Rivers. In the military field, all Bloc heavy equipment deliveries had been completed by the end of June 1960.

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The Iraqi 1960 cultural exchange program with the USSR calls for the acceptance of 400 Iraqis in Soviet educational institutions. This number is about the same as last year, but there will be an increase in the total number of students in the Bloc as a result of the length of study programs.

Information on military training courses in the Bloc is closely guarded, but it appears that about 90 officers are attending staff college training, about 140 air force officers or cadets are in training, and several smaller groups will participate in short courses during 1960. Dissatisfaction is revealed in the stories of Iraqi students and trainees in Bloc countries. Several students are known to have left their studies in China and refused to return. Difficulties in Albania have been admitted in official statements. Returning military trainees have expressed dissatisfaction, and many attempt to evade training assignments in the Bloc. Language barriers, drab living conditions, curtailment of personal liberties in the form of restrictions on movement or companions, and observation of the lot of the Soviet or other Bloc peoples have produced markedly critical reactions.

It is estimated that, during the first half of the year, approximately 425 Bloc economic technicians, including medical personnel, advisers of all kinds, and interpreters, were then in Iraq. Individual experiences of Iraqis with Bloc technicians in Iraq and of Iraqi students in Bloc countries are contributing heavily to a deterioration of respect for both individuals and the political system operating within the Bloc but have not detracted substantially from Iraqi admiration for some aspects of the economic system and for the more spectacular Soviet technical achievements. In the military equipment field, a considerable appreciation of Soviet items remains, but there are constant breakdowns of transport vehicles and difficulties in high-temperature operation of tank and transport engines that are the subject of open dissatisfaction. Deficiencies in Bloc technical ability, although possibly not a major factor, have been noted to a certain degree among the military and in the field of medicine in particular. About 170 Soviet military technicians were in Iraq during the period.

A trade and payments agreement for the fiscal year 1960/61 was signed in Peiping on 25 May between Communist China and Iraq. Under its provisions, Iraq will export to China dates, cotton, raw-hides, crude oil, oil byproducts, and other Iraqi products. So far the sale of royalty oil has been unsuccessful. Some petroleum products have been sold to China on an experimental basis, primarily for use in Yemen, but with little success because of high Iraqi inland freight costs and inadequate packaging. Chinese finished goods, textiles, radio tubes, and the like are appearing on the Iraqi market in increasing

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volume and at preferential prices of from one-third to one-half that of similar Western goods.

In 1959 a dramatic shift reflected the postrevolutionary gains of the Bloc countries in the Iraqi market when the Bloc, as a group, took approximately 19 percent of total Iraqi exports, except oil, and supplied 6.3 percent of total imports. Exports to Bloc countries rose from \$16,229 in 1958 to \$6.1 million in 1959. Imports from the Soviet Bloc also rose -- from \$6.0 million in 1958 to \$18.2 million in 1959. Czechoslovakia was the principal supplier.

Following Kassem's moves against the local Communists and the voicing of complaints about Iraq's deteriorating economic situation, it was expected that Mikoyan's unsolicited visit would result in some kind of Soviet action to breathe new life into the aid program. The USSR finds itself, however, becoming the victim of Iraqi inability to decide and to act promptly or with any degree of efficiency.

#### 6. Pakistan

Soviet initiatives toward Pakistan during the first half of 1960 were a combination of propaganda attacks aimed at the basic concept of Pakistani unity and persistent offers to extend economic aid provided the Pakistani Government adopted a more cooperative attitude. These pressures and the Pakistani regime's own judgment about its requirements resulted in the most extended and concrete negotiations for Soviet aid since the creation of Pakistan.

Bloc efforts directed at Pakistan were highlighted by the issuance in Kabul on the occasion of the Khrushchev visit of a formal communiqué in which Afghanistan and the USSR expressed their agreement that the fate of the Pushtun inhabitants of Pakistan should be settled by the principle of national self-determination. The communiqué was later expanded by Khrushchev's public statements warmly endorsing Afghanistan's plea for a plebiscite in the Pushtun area of Pakistan. For most of the period, other Soviet gestures toward Pakistan were a mixture of arrogance and the confidence that Pakistan would be forced to improve relations through increased trade and cultural exchanges. Furthermore, the USSR directly challenged Pakistani statements in the foreign policy field. The volume and acrimony of these attacks were stepped up in the post-U-2 period when the USSR addressed two warning notes and Khrushchev personally labeled the Pakistani official attitude as halfhearted and insincere.

In Pakistan the Bloc is able to exploit the widespread feeling that Pakistan has needlessly antagonized Communist countries

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by its policy of alignment with the West. In East Pakistan a major business organization appealed for permission to import machinery and spare parts from the USSR. Soviet credits and payments practices were held to be more advantageous than those of the West and would foster the industrialization of East Pakistan. The major political factor that conditions official attitude appears to be the hope that stronger economic ties with the USSR may lead to a less intransigent Soviet position in the Security Council on the Kashmir question.

Pakistan concluded no agreements with the Sino-Soviet Bloc for economic aid during the first half of 1960. Pakistani officials early in May, however, indicated a willingness to consider Soviet offers of assistance, principally in the fields of petroleum and minerals exploration. President Ayub is said to believe that Pakistan should test the sincerity of the USSR by giving that country the opportunity to provide assistance in setting up industrial plants and participating in the exploration of Pakistan's natural resources. President Ayub also stated that he saw no danger in sending business and cultural goodwill missions to the USSR or accepting Soviet technicians into Pakistan, as such action would not result in any significant change in Pakistan's foreign policy in regard to international Communism.

Pakistani trade with the Sino-Soviet Bloc, which was less than 1 percent of Pakistan's total trade before 1958, has expanded to nearly 3 percent of the country's total trade since that time. During the past 6 months, Pakistan's trade relations with the Sino-Soviet Bloc further increased on the basis of additional barter agreements. Finding itself with mounting surpluses of raw jute and raw cotton, because of a drop in world demand for its principal export crops, Pakistan considered itself fortunate in acquiring new markets in several Bloc countries. In exchange, Pakistan will import coal, machinery and equipment, bicycles, and watches.

It appears that the Bloc's influence in Pakistan has grown during the period under review. In spite of the army regime's strong anti-Communist stand, Pakistan's leaders are more openly anxious to do business with the Bloc and to convince the Kremlin that Pakistan has no hostile intentions in its foreign policy. Although still under control, domestic pressures for more contacts with the Bloc are still prevalent and probably would increase at the first chance, particularly in East Pakistan.

7. Turkey

The review period was highlighted by the announcement in April that Prime Minister Menderes would visit the USSR in July and that Premier Khrushchev would return the visit the following month.

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On 27 May, however, a military coup toppled the Democratic Party administration and, with it, plans for the visit. Although the USSR extended the invitation to the new Prime Minister, General Gursel, Gursel replied that he was too occupied with domestic matters to make the trip. The USSR is attempting to exploit this new situation by pressing Turkey for improved relations and stressing that friendship with the USSR would be in line with the policies of Kemal Ataturk, founder of the Republic. The USSR at the same time also has made general offers of economic aid.

Cultural exchanges continued at about the same level in the review period. In early 1960, Soviet representatives in Turkey became somewhat more active as they made increasing contacts with Turkish Government ministries and newspaper editors.

The implementation of Bloc projects continued during the period. The two partly government-owned textile mills at Bergama and Manisa, which are being equipped with East German machinery, were expected to be completed in March 1960, about 1 year behind schedule. The delay was caused by differences between the East German technicians and the Turkish management and the failure of the machinery to arrive on time.

The delivery of equipment from Soviet Tekhnoeksport to the textile factories at Karaman, Adiyaman, and Nevsehir is scheduled to take place by the end of 1960 under the terms of a contract with the Sumerbank that was approved by the Turkish Government in mid-1959. The Sumerbank reportedly also has purchased \$800,000 worth of equipment from Tekhnoeksport for its textile factory in Kayseri. The Soviet flat-glass factory at Cayirova is scheduled for completion in 1960 and is to cost \$2.4 million, payable in 5 years at 2.5 percent interest.

There has been no evidence of coordination or specialization among the Bloc countries, but there have been many instances of competition among them in bidding for contracts.

There was a moderate increase in the exchange of technical personnel during the period. Fifty Turkish technicians received training in the USSR under contract for the flat-glass plant for a period of 3 to 4 months. Half of them are still in the USSR. The number of Bloc technicians in Turkey was about 105, of which 90 were East Germans at the two textile mills. In addition, four Soviet textile experts visited the country to survey the four textile factories the USSR is to equip. There have been few criticisms of the behavior or competence of Bloc technicians. The only report of friction came from the Bergama textile mill, where the East Germans are located.

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During 1959, Soviet Bloc exports to Turkey accounted for 9.5 percent of Turkish imports, compared with 18.1 percent in 1958. Bloc imports from Turkey accounted for 11.5 percent of Turkish exports during 1959, compared with 23.7 percent in 1958. As a percentage of total trade, the Bloc accounted for only 10.4 percent in 1959 as opposed to 20.1 percent during 1958. Czechoslovakia, East Germany, and Poland were, in that order, the most important of the Bloc trading partners during 1959. This drop in Bloc trade in 1959 resulted primarily from the US and European financial assistance granted in connection with the stabilization program, which relieved Turkish dependence on Bloc barter agreements for some imports. The new Turkish Government, however, now faces a foreign exchange crisis, and barter trade with the Bloc is again becoming attractive, in spite of the fact that Bloc products are considered inferior to Western goods. Other factors that increase the likelihood of increased trade with the Bloc are the large clearing account credits that Turkey has built up and the willingness of the Bloc countries to buy certain Turkish products at above world prices. As of 7 May 1960, Turkey had a clearing account credit of \$16.5 million with the Soviet Bloc countries as opposed to a credit of \$8.5 million in December 1959.

The army coup in late May and the establishment of a provisional government faced with an increasing number of serious domestic problems have relegated international issues temporarily into the background.

#### 8. United Arab Republic

The United Arab Republic (UAR), pursuing its policy of "positive neutralism," continues to rely heavily on the USSR for investment capital, military equipment, and technical assistance, in spite of its continued repression of the Communists at home. The position of the Soviet Bloc in the UAR improved perceptibly during the first half of 1960.

The USSR achieved a considerable propaganda advantage by announcing shortly after the inauguration of work on the Aswan High Dam in January that it would assist in the completion of that great project. Construction of the entire dam will insure Soviet presence in the Egyptian sector for some years to come, and, at the same time, the West is excluded from participation in the most spectacular and popular of all UAR economic development projects. Beginning in 1960, the policy of the USSR of tempering its strong support of Iraqi Prime Minister Kassem and the Iraqi Communists served to tone down an issue that had been increasingly irritating UAR - Soviet Bloc relations.

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In the probable realization that prospects for a Communist takeover in Iraq were not bright, the USSR restored a high priority to its economic aid program in the Egyptian sector of the UAR. More than likely it had become seriously concerned at the prospect that the propaganda advantages accruing to the Soviet Bloc from the first stage of the dam were being substantially neutralized by developing Western assistance programs which were having a growing impact on the UAR. Announcement of Soviet participation in the second stage of the Aswan High Dam was timed to coincide with the start of the well-publicized US trade mission and was just before the arrival in Cairo of a high-level West German economic mission that was expected to discuss German participation in the second stage. Another important element in the Soviet decision to highlight this economic aid to the UAR was undoubtedly its value in the Bloc's current intensive drive to cultivate the emerging nations of Africa. By trading on the UAR's name, and with the dam as a specific example, the USSR is indubitably trying to increase its influence and prestige in the newly independent African states by creating a favorable image of itself as an economic benefactor who attaches no conditions to assistance.

There is no evidence that the Nasser regime intends to mitigate its repression of domestic Communism or its opposition to Communism in the Arab World. The UAR reacted strongly to Bulgarian attempts to indoctrinate UAR students in Sofia and to alleged Bulgarian encouragement of Communist activity in the Syrian sector. During his tour of Syria in February, Nasser devoted one of his speeches there to an attack on Communism.

On 18 January 1960 it was officially announced that the USSR would assist the UAR in the completion of the Aswan High Dam. This new aid agreement will represent a credit of \$387 million, including the original loan of \$100 million for construction of the first stage of the dam. As now planned, the Soviet credits represent total foreign exchange requirements for construction. Remaining terms and provisions of the new loan agreement are said to be the same as those of the former -- 2.5 percent interest and repayment in equal installments over 12 years starting in 1964.

A Czechoslovak-UAR agreement signed in June provides for a 5-year credit of \$20.8 million for the purchase of machinery and equipment to be used in the construction of various public utility projects in the Egyptian sector. Czechoslovak concentration on rural and municipal projects promises to give Czechoslovakia a commanding position in the supply of this type of equipment to the UAR.

The execution of projects under the \$175 million Soviet credit has been slow, and actual additions to the volume of industrial

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production have been virtually nil. On 8 May 1960 the first project, a mill for spinning fine cotton yarns, was opened in Damietta, and another mill, financed under the Soviet credit, is under construction. Completion of larger contracts is years away, even in those cases for which equipment contracts have been signed. Most of the delays have been caused, however, not by the Bloc countries but by the Egyptians, who either have been casting around for better deals elsewhere or have set impossible terms, specifications, and conditions.

Implementation of the Soviet agreement of October 1957 with the Syrian sector has been confined mostly to surveys and planning; only about \$25 million of the \$150 million extended has been drawn. Inaction in Damascus probably is the cause. A Soviet mission arrived in Damascus last spring and in May announced that a protocol regarding implementation of projects in the Syrian sector was being prepared. The Damascus press reports that these projects may include proposals on a railroad line between Aleppo and Qamishli, topographical work in the Euphrates area, and the construction of an ammonium nitrate fertilizer plant with a capacity of 110,000 metric tons. Contract projects presently under construction are the Ar Rastan and Muhradah dams by Bulgarians and a cement plant at Aleppo by the East Germans.

No definite information is available on the number of Bloc technicians in the UAR except for those working on the Aswan High Dam project. The number considered necessary for that project is now 70, 30 of whom had arrived by the middle of May. These technicians have had little or no contact with the local labor force but are engaged only in advising their counterparts among the Egyptian upper-level technicians.

The Czechoslovak-UAR trade agreement now in force is valid for 3 years from 1 January 1959, and the payments agreement for 1 year from the date of ratification, both with an automatic extension of equivalent periods if notice of termination is not given. Terms of the agreements are not unusual, except that lists are attached for specific development projects for which Czechoslovakia stands ready to provide equipment, machinery, and materials. In the case of UAR purchases, Czechoslovakia insures corresponding purchases of cotton and other goods from the UAR.

In the course of a review of UAR-Soviet trade, Soviet officials objected to being deprived of Egyptian export discounts and UAR officials protested Soviet resales of Egyptian cotton in Western European markets. A protocol was eventually signed, hopefully envisioning a total trade exchange of \$287 million per year for both sectors of the UAR.

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Egyptian imports from the Bloc dropped by more than 16 percent in 1959 compared with 1958. Because Egypt's total imports also fell, however, the Bloc's relative position as a supplier to Egypt declined only slightly. But during the first 4 months of 1960, when Egypt's total imports increased slightly compared with the same period of 1959, the Bloc's relative position as a supplier suffered. This fact appears to confirm that Egypt prefers to trade with non-Bloc countries and will do so when it can. Although exports to the Bloc have risen in 1960 and the USSR remains by far the largest purchaser of Egyptian goods, the Bloc share fell from 52 percent in 1959 to 47 percent in the first part of 1960.

Trade data for 1959 reveal a decline in Bloc trade with the Syrian sector. Over-all trade with the Bloc reached a peak in 1958 when exports reached 31.4 percent and imports (excluding arms) were 12.1 percent of the total foreign trade of the Syrian sector. In 1959 these shares were reduced to 12.3 percent and 11.2 percent, respectively. France replaced the USSR as a purchaser of Syrian cotton in 1959, and it continued to be the leading buyer in the current export season. The proportion of cotton sales to the Bloc and Communist China, however, rose to about 35 percent during the current season, compared with 30 percent last year. The difference was almost entirely due to purchases by Communist China, which this year amounted to about 4,500 tons as against almost 700 tons last year.

It is still felt that Nasser is determined to adhere to his policy of nonalignment and would react sharply to any obvious Soviet effort to exploit his position. Nevertheless, with the UAR now dependent on the USSR as sole supplier of military equipment and foreign assistance for its most important and spectacular economic project, significant leverage is available to the USSR. Unless it stumbles badly over some political issue, the Bloc presumably can maintain this formidable position for a considerable time to come.

9. Yemen

During the first 6 months of 1960 the Bloc enhanced its prestige in Yemen because of the impressive progress made on the construction of Yemen's first modern port and road and the lack of comparable aid from Western powers. Although the absence of Communist-front groups in Yemen impedes Communist subversive activities, Yemeni authorities generally, and the Imam in particular, are still uneasy about the presence of Communists in the country. Those Yemenis who look to Cairo for leadership have followed Nasser's lead in spurning Communism internally while readily accepting economic assistance from the Bloc.

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There have been no new credits extended to Yemen, but Communist China's total outlay for the Al Hudaydah - San'a road is now estimated to be nearly \$20 million. This amount exceeds the \$16.3 million line of credit extended in 1958. The Yemenis are now drawing \$140,000 each month for local expenses from the Saudi Bank of Al Hudaydah. The USSR reportedly has earmarked \$5 million of its 1956 \$25 million line of credit for agricultural development projects. It is now believed that this amount will be used for cotton cultivation on the coastal plain near Al Hudaydah. Communist China has offered to build a textile mill and a mica or glass factory as well as cigarette, soap, match, and tannery-shoe plants. Both the USSR and Communist China have outstanding offers to build cement plants.

The USSR has accelerated the rate of work on Yemen's primary port at Al Hudaydah, which is now scheduled for completion by the end of 1960. In May a 5,000-ton Soviet ship entered the recently dredged 5-mile channel, docked alongside the new pier, and unloaded the first cargo from a ship of that size. There will be 14 buildings in the Soviet-built port complex, including a powerplant and hospital. Ancillary facilities include a water supply system.

The Chinese Communist technicians building the Al Hudaydah - San'a road are working two 8-hour shifts a day and using 5,000 Yemeni day laborers. About 56 miles of road on the coastal plain near Al Hudaydah and 31 miles on the plateau at the San'a end are ready for asphalt surfacing, and blasting is proceeding on the mountainous stretches of the road.

The number of Soviet technicians working on the port stands at about 350, and approximately 700 Chinese Communist technicians are engaged in the road construction projects. The USSR is training 30 Yemenis in port management and maintenance at Al Hudaydah, and the Chinese are to open a trade school in San'a. Seven Soviet nationals arrived in May to study the feasibility of growing cotton in the vicinity of Wadi Zabeid, located on the coastal plain. The East German trade mission is composed of 14 persons, including families, and has 2 doctors. Yemenis being sent to the Bloc for training include 75 sent to Peiping for training in textile milling and other trades, about 40 scheduled to attend schools in Moscow and Peiping, and 5 to East Germany for training in city sanitation. Czechoslovakia is said to have offered up to 70 scholarships.

No new trade agreements have been reported. Because there are no trade statistics for Yemen, it is difficult to estimate with any accuracy the degree of Yemen's dependence on trade with the Bloc. Probably about one-half of Yemen's coffee crop was taken by the Bloc, somewhat less than in previous years. Yemeni merchants are importing

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from the USSR considerable quantities of sugar and some cement, matches, soap, and petroleum products and from East Germany rugs, electric water pumps, and sporting guns. Two additional Ilyushin commercial aircraft have been ordered from the USSR, and pilots and maintenance crews have been requested to operate the aircraft. In addition to the East German trade mission in San'a, there was a commercial officer attached to the Soviet Legation in Ta'izz.

B. Africa

1. Ethiopia

The Bloc made an effort to strengthen its initial foothold in Ethiopia during the first half of 1960. Nevertheless, during the period under review, the Bloc made few concrete gains. It encountered not only the Ethiopian Government's characteristic intransigence but also Emperor Haile Selassie's growing wariness that Soviet aid might promote Communist subversion in his country.

Bloc efforts to prod Ethiopia into implementing the \$100 million Soviet credit and the \$10 million Czechoslovak credit met with varying degrees of success. In March an agreement was signed between the USSR and Ethiopia which mentioned an oil refinery, a gold ore dressing plant, geological and mineralogical surveys, and a feasibility study for setting up a metallurgical plant. Although the projects enumerated could absorb about 40 percent of the Soviet credit (the refinery alone is estimated at between \$10 million and \$12 million), their implementation does not yet appear assured. In June the USSR deposited \$2 million in a New York bank to Ethiopia's credit; part of the deposit probably will be used to back local currency loans for the Emperor's land reform program. This deposit marked the first Soviet transfer of convertible currency to a non-European country and also the first firm drawing by the Ethiopians on the credit extended almost a full year earlier. A protocol signed in March implemented the earlier grant for a secondary technical school for 1,000 students to be constructed near Baherdar-Giyorgis; the Ethiopians succeeded in having the school site changed from the more prominent Addis Ababa location first suggested by the USSR. Ethiopia learned, however, that it must provide the local currency requirement of approximately \$1 million.

In other developments the USSR reportedly revised its offer of refined petroleum under the credit and restricted the amount to government needs only. Its earlier proposal was finally nullified by Western distributors, who refused to handle the Soviet product. The USSR also delivered gifts of an Il-14 aircraft and equipment for the Duke of Harar Hospital that had been promised to the Emperor

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during his Moscow visit. It proposed equipping Ethiopian security forces, including the police. The Czechoslovaks, who concluded a series of economic agreements with the Ethiopians just before and during the period under review, apparently have obtained approval to build an \$80,000 canvas shoe factory and a \$2.5 million cotton and sugar plantation.

The number of Bloc technicians permitted in Ethiopia remains small, probably reflecting the Emperor's innate suspicion of this means of Communist penetration. Of the 25 Bloc technicians in Ethiopia at the end of June 1960, 14 were Soviet medical personnel for the expansion of a Soviet hospital in Addis Ababa (where 6 Ethiopian nurses are being trained). Ethiopia continued to be indifferent to Bloc scholarship offers, and few Ethiopians were studying behind the Iron Curtain. The Ethiopian Ministry of Education has asked the US to train Ethiopian teachers for the proposed Soviet-built technical school in order to avoid accepting a staff from the USSR. At the end of June the USSR made its second offer to furnish teachers for the school.

Although the Bloc renewed its efforts to increase trade with Ethiopia during the first half of 1960, it did not substantially improve its 1958-59 position. In those years the Bloc accounted for 3 percent of Ethiopia's imports and less than 1 percent of Ethiopia's exports. The month-long Soviet Industrial Fair, which was generally well received, cost the USSR an estimated \$1 million, or almost twice the value of its past annual exports to Ethiopia. The Emperor expressed deep concern over the arrival of the 70 technicians sent temporarily to Ethiopia in connection with the fair and ordered their surveillance for possible subversive activity. The Bloc continued to emphasize consumer goods exports in spite of sales resistance in the Ethiopian market. Moreover, Ethiopian merchants have shown an increasing aversion to Bloc-style barter deals. On the other hand, low prices and favorable credit terms enabled Czechoslovakia, which normally supplies more than half of Ethiopia's imports from the Bloc, to score at least two small commercial victories: it will supply \$61,600 worth of machinery for a shoe factory and \$30,000 for a nail factory.

In spite of a number of rebuffs during the period under review, the Bloc's position in Ethiopia was somewhat stronger than it had been at the end of 1959. What gain occurred was, in large measure, the result of Bloc persistence and tenacity.

## 2. Ghana

Although the Bloc's position in Ghana remained relatively unchanged during the period, the groundwork for closer economic ties

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was established. By the end of June, two Bloc offers of substantial technical and financial assistance for economic development projects reportedly were being considered by Ghana. In the diplomatic realm, Ghana appointed an ambassador to Moscow, and Czechoslovakia raised the status of its permanent trade delegation in Accra to a legation. A Ghanaian parliamentary delegation visited the USSR in May; it was later announced that President Nkrumah would visit Moscow and Peiping. Premier Khrushchev will stop in Accra during his tour of several African states later this year.

Throughout the period, East Germany continued to spearhead the Bloc's drive in Ghana. The Ghanaian Industrial Cooperation Society (INDUSCO), a private organization with government sponsorship and financial backing, accepted an offer from East Germany to provide a \$3.1 million line of credit for the construction of four plants -- a cigarette factory and plants for canning fish, canning fruits and vegetables, and processing coffee beans. INDUSCO stated that construction of the cigarette factory is planned for the current financial year. Repayment is to be made within 5 years after completion of the plants. East German technicians are to assist in operating the factories in addition to providing training in East Germany for a group of 20 Ghanaians. An additional East German credit offer of \$28 million for capital goods imports and technical assistance reportedly is under consideration by the Ghanaian Cabinet. It appears that 33 industrial projects investigated by the East Germans under a feasibility contract with the public Industrial Development Corporation have been shelved by Ghana.

Continuing its energetic trade activities, the Bloc programmed an East German industrial fair in March, a Soviet trade delegation in April, and a second East German exhibit in May, the latter dealing with science teaching materials. Although the Bloc managed to increase its sales to Ghana sharply, it did not improve its 3-percent share of Ghanaian imports. During the first half of 1960, Ghana's exports to the USSR were appreciably higher, principally because of the purchase by the USSR of 30,000 tons of cocoa beans, which, combined with other West African purchases, apparently represents more than the annual needs of the USSR.

### 3. Guinea

During the first half of 1960 the Bloc scored new economic gains in Guinea in the fields of credit implementation, technical assistance, and trade. Further political advances also were made, although Guinea did not depart substantially from its neutral

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course. Thus, while diplomatic recognition was given to North Vietnam, Guinea resisted apparent Communist pressure to recognize East Germany. Cultural accords were concluded with the USSR, Communist China, Bulgaria, and Hungary; TASS and the New China News Agency opened offices in Conakry. Guinea played host to the executive committee of the World Federation of Democratic Youth (WFDY) in March (with the promise of a WFDY regional meeting in Conakry during the coming year), to the Communist-influenced Afro-Asian Peoples Solidarity Conference in April, and to the celebrations for International Women's Day. The Bloc's building of a powerful new short-wave radio transmitter (present equipment is adequate for Guinea alone) and East Germany's construction of a large-capacity printing plant (90 percent of Guinea's population is illiterate) offered fresh evidence that the Bloc regards Guinea as a base from which to mount a propaganda offensive aimed elsewhere in Africa.

Guinea received no new credits from the Bloc during the period under review. Gifts included 10,000 tons of rice from Communist China (an earlier grant of 5,000 tons was made in June 1959) and a large helicopter and two police patrol launches from the USSR. A protocol was signed with the USSR, implementing the \$35 million Soviet credit of August 1959. The agreement calls for Soviet material and technical assistance in the establishment of a technological institute and a number of small industrial projects in addition to the construction of a 25,000-seat sports stadium, reconstruction of the Conakry airport and the Conakry-Mamu rail line, and establishment of a 17,000-acre state rice farm. Hungary, East Germany, and Czechoslovakia also were active in the many projects surveyed, under construction, or completed during the January-June period. The Bloc's efforts continued to be centered largely in showy, impact-type projects, many of which are decidedly marginal to Guinea's economic needs. Although the Bloc has hit no major snags in its development plans, at least two projects -- the East German printing works and the Soviet airport runway extension -- are considerably behind schedule. An accelerated building pace is anticipated with the introduction of the Guinean Three Year Plan on 1 July.

In the field of technical assistance the Soviet Bloc made significant progress during 1960's first half. The number of Bloc technicians in Guinea rose from an estimated 50 at the end of 1959 to at least 165 at the end of June 1960. Among the Communist countries, Czechoslovakia has been permitted to take the lead, perhaps because that nation seems to have won greatest favor with the Guineans themselves. Seventeen Czechoslovak medical personnel of a total of 60 promised this year are now in Guinea; the Czechoslovaks have placed key advisers or directors in Guinean economic planning and finance ministries, at the airport and customs, and at the radio station.

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In addition, Czechoslovak experts have been appointed to the posts of Director of Airports and Director of News Services. Eleven Czechoslovaks serve as instructors at the Police and Gendarmerie School at Kankan, forming, in effect, an unofficial military mission. The USSR has, for the most part, centered its activities in providing teachers and technicians for specific projects, but it also has placed significant technical and administrative personnel at the port of Conakry. The Chinese Communists have already sent at least 64 agriculturists, presumably in connection with rice-growing projects. Hungary, East Germany, and Poland also boast technicians in Guinea. Although there is no evidence of significant Guinean dissatisfaction with the Bloc technicians, there have been reports that Bloc representatives are discouraged over frustrations encountered in working with untrained Guineans. About 180 Guineans are studying on scholarships in the USSR or other Bloc countries. At least 60 Guineans reportedly are receiving military training in the USSR and Czechoslovakia.

The Bloc's trade offensive continues to be its most important and successful method of economic penetration in Guinea. During 1959 the Bloc supplied 8.3 percent (\$5.1 million) of Guinea's imports and received 16.7 percent (\$4.8 million) of its exports.\* In the first 3 months of 1960, the latest period for which figures are available, the Bloc shipped 23 percent (\$3.0 million) of Guinea's imports and took 17 percent (\$1.1 million) of its exports. It is probable that the Bloc's share of Guinea's trade rose sharply during the second quarter of 1960, following Guinea's withdrawal in March from the French zone, an action that has impeded trade with the West. Guinea's foreign exchange problem in April caused it to substitute Soviet for Western refined petroleum products when the USSR offered to accept the 1961 Guinean banana crop as payment. Trade agreements remain in force between Guinea and Czechoslovakia, Hungary, the USSR, East Germany, and Poland (the accords with Czechoslovakia, Hungary, East Germany, and Poland were renewed during the 6-month period). The Guineans reportedly have evidenced dissatisfaction with the Bloc's policy of providing only products in return for Guinea's exports. East Germany (Guinea's principal Bloc import supplier) has, however, agreed to give convertible currency for half the value of the Guinean exports that it receives.

The Bloc's economic position in Guinea was strengthened appreciably during the first half of 1960. Most of the gain, however, resulted from past Bloc commitments now reaching fruition and from economic developments within Guinea that served to ease the Bloc's path.

\* Statistics shown here for Guinean aggregate imports and exports in 1959 reflect recent revisions. Revised statistics for subaggregates are not available.

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4. Other African Countries

The Bloc continued to be active elsewhere in Africa during the first 6 months of 1960. Although the Bloc's position at the end of June was not appreciably stronger than at the beginning of 1960, its drive to penetrate Africa was not diminished. Eyeing the 6 new African nations that achieved independence by 1 July and the 10 others scheduled to receive full sovereignty (and, undoubtedly, UN membership) before the end of 1960, the Bloc sent warm words of congratulations and prominent delegations to independence day celebrations and was quick to extend diplomatic recognition to the new states. Communist spokesmen made trade overtures to the Mali Federation and Togo and suggested to individual Congolese before independence that the Bloc was prepared to offer large-scale aid. Agreements to exchange ambassadors were concluded between Tunisia and the USSR, between Libya and Czechoslovakia, and between Togo and the USSR.

The Chinese Communists stepped up their African economic efforts. In addition to a gift of 10,000 tons of rice to Guinea, rice also was sold to the countries formerly comprising the Federation of French West Africa. Green tea exports to Libya, Tunisia, and Morocco continued in large amounts, and the latter country invited Chinese Communist tea experts to survey the possibility of growing tea in Morocco. Their report was only mildly enthusiastic, possibly because they did not wish to lose a significant export market. The Chinese Communist pavilion at the 1960 Casablanca trade fair outstripped other Bloc exhibits.

During the first half of 1960, Tunisia took steps to implement its publicly professed policy of considering economic offers from the East as well as the West. A trade agreement was signed with East Germany, and a Tunisian mission was sent to Poland and Czechoslovakia to make "economic studies" (it reportedly returned uncommitted and unimpressed). Tunisian ardor for expanding economic relations with the Bloc cooled considerably when the USSR stopped buying Tunisian goods in retaliation for Tunisia's refusal to grant certain rights and privileges to the Soviet commercial mission.

In spite of a continuing trade promotion effort, Bloc trade gains were meager and isolated. Gains in West Africa were attributable principally to large Soviet purchases of cocoa beans.

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C. Asia

1. Burma

Efforts by the Bloc countries, particularly Communist China, to encourage Burmese neutrality in the cold war were intensified during the first half of 1960 and met with an increasingly favorable Burmese response. In late January, Burma concluded with Peiping both a boundary agreement which settled the longstanding Sino-Burmese border dispute and a treaty of mutual friendship and nonaggression.

A visit by Premier Chou En-lai in Rangoon in April gave the Chinese Communists opportunities for further propaganda fanfare. The warm reception for Chou by Burmese Premier U Nu, long an advocate of strict neutrality, whose party had won a sweeping victory in the February 1960 general elections, contrasted markedly with the purely formal cordiality and popular indifference which had characterized the Burmese reactions under the Ne Win government to Khrushchev during his February visit in Rangoon.

At the present time, Burma has no serious economic problems which the Bloc can exploit. Disposal of the 1959-60 rice crop was quite successful, and Burma is under no immediate pressure to resort to the Bloc for rice sales. Foreign exchange reserves are adequate and provide a narrow but acceptable margin of maneuver should next year's sales be slow. In the long run, however, Burma's complete dependence upon rice exports and the uncertain nature of international rice markets pose a continuing and serious danger. A rice-marketing crisis would almost certainly result in another round of barter deals.

Although the government and the public are still disillusioned by Bloc performance under some of the earlier trade and payments arrangements; by the difficulty in using Bloc credits, particularly with the USSR; and by the questionable usefulness of the Soviet construction projects in Burma, the U Nu government is more favorably disposed than its predecessor to Bloc offers of trade and aid. In spite of unutilized balances in credits from non-Bloc sources, Burma appears responsive to new Bloc aid offers. Although U Nu has gone on record as opposing barter trade deals, there is evidence that in this matter, too, the policy is flexible.

During the period a series of new credit offers was made by the Bloc, including the offer of a \$10.5 million line of credit from Czechoslovakia to purchase machinery to set up manufacturing plants in Burma. Although the terms are not yet certain, the Czechoslovaks have implied that they will provide for repayment over a long

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period at low interest rates. The Burmese are still considering the offer.

During the visit of Chou En-lai to Rangoon in April, Prime Minister U Nu evidenced interest in receiving loans from Communist China. Chou indicated the possibility of small credits for projects promising quick returns, particularly sugar or textile factories. Loan negotiations for a textile plant are actually underway.

The three Soviet construction projects in Burma are progressing nearly on schedule and will be impressive when completed. The technological institute in Rangoon will be completed by the end of December 1960. The completion of the hotel will be delayed until March or April 1961 by the Burmese failure to award a contract for the installation of a central air-conditioning system. The Burmese plan to procure the equipment from the United States, apparently with the concurrence of the USSR.

Soviet cost estimates for the projects seem reasonable and are holding up well. Even with central air conditioning, not provided in the original plan, the cost of the hotel is expected to be less than the estimate. The technological institute, however, will cost more than planned because of unexpectedly high equipment costs.

During the first 6 months of 1960 the number of Bloc technicians in Burma totaled 50. Of this total, 46 were Soviet technicians, as follows: 8 comprised the supervisory team for the three construction projects being built by the USSR and were furnished free of cost; 36 were technicians on the construction projects for whose services Burma will pay; and 2 were agricultural experts with the Soil Use Survey. The Burmese expect 14 additional Soviet technicians to join the supervisory staff of the construction projects to oversee the finishing work.

No information is available on the total number of Burmese students studying technical subjects in Bloc countries. Of the three students sent for training before becoming faculty members of the technological institute, only one is still in Moscow. In June 1960 it was reported that some 35 Burmese students ranging in age from 16 to 35 have applied for entrance to the new Soviet "Peoples Friendship" university for foreign students.

Burma's major Bloc trading partners are now stepping up their efforts to stimulate trade. This is being done through credit offers, pressures to renew trade and payments agreements, and other trade promotional techniques.

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As of 22 May 1960, Burma still had a net credit balance of more than \$5 million in the clearing accounts with Bloc countries, or only about \$0.4 million less than on 24 December 1959. Outstanding credits were with the USSR (\$6.2 million) and Hungary (\$0.3 million) and debits with Czechoslovakia (\$1.1 million) and East Germany (\$0.3 million). The principal movements in the accounts during the period were an increase of more than \$1.5 million in Burma's credit with the USSR and a reduction of \$1.7 million in the Czechoslovak account, changing it from a credit to a debit status.

In 1959, Burma's exports to the Bloc, valued at \$3 million, were considerably lower than the 1958 level of \$8.8 million because of reduced rice shipments. Imports valued at \$25.4 million also were lower than the 1958 level of \$31.3 million because of reduced imports from the European Satellites. Exports consisted primarily of rubber to the USSR and Communist China and of rice to the USSR and Czechoslovakia. China continued to be by far the most important Bloc supplier, with Czechoslovakia and the USSR the other major sources.

Burma has found Communist China a particularly satisfactory source of imports. Premier U Nu has indicated his desire to reduce Burma's dependence on Japan by substituting Chinese for Japanese goods. Nu suggested that the two countries exchange trade missions to look into the possibilities of trade expansion. The Chinese Communists have sought permission for an exhibition in Rangoon of Chinese Communist products in January 1961.

On balance, the Bloc's influence in Burma has not increased during the past 6 months, although the renewed Bloc offensive during the period probably will result in some increase in trade and economic aid. Burma's economy is not currently dependent upon the Bloc, because the country has other outlets for its exports, and most imports could quickly be transferred to other sources. In addition, Burma has not yet used all of the financial assistance extended by the Free World.

## 2. Cambodia

Bloc strategy in Cambodia continued to aim at ingratiating the Bloc with Cambodian authorities, particularly Prince Sihanouk, mainly by exploiting the hostility that exists between Cambodia and its two pro-West neighbors, Thailand and South Vietnam. In line with this strategy the Bloc has minimized subversive activity, but early in the year there was still enough evidence of subversion to keep Sihanouk suspicious of Communist intentions in spite of his gratitude for Bloc diplomatic support in his struggle with his neighbors. As relations with these neighbors worsened during the period, principally as a result of a South Vietnamese claim to some Cambodian-occupied islands in

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the Gulf of Siam, the subversive threat became of less concern to the Cambodian Government, which gave increasing importance to Bloc assurances of support against its neighbors. This trend reached its culmination during the May visit of Premier Chou En-lai, who gave a public pledge of Chinese Communist support in case of aggression against Cambodia. Rumors are presently circulating in Phnom Penh that a friendship and nonaggression treaty may have been signed with Communist China and agreements concluded for the furnishing of military equipment by Communist China and Czechoslovakia. A further indication of growing ties with Peiping was the sending of three of Sihanouk's sons to Communist China for their education.

As in the previous period, Bloc economic activity in Cambodia was centered on the construction of the four factories financed by Communist China and the 500-bed Soviet gift hospital. The textile factory was substantially completed by May, 2 months ahead of schedule, and was inaugurated in a ceremony attended by Premier Chou En-lai. Chou's visit to Cambodia was also the occasion for the inauguration of the new Cambodian national radio station, his personal gift to Cambodia's Prince Sihanouk. Work on the plywood factory and the paper mill progressed rapidly; both plants are expected to be completed by the end of the year. Construction of the cement plant, which has just been started, will require several years.

In addition to the factory construction projects, expenditures were made from the Chinese Communist aid counterpart fund for a number of smaller projects, including minor educational and medical installations and a building for the Ministry of Plans. As of January 1960, Chinese Communist counterpart funds used for purposes other than factory construction totaled about \$2.7 million, considerably less than the \$8.1 million allocated for miscellaneous works. The amount of drawings against the \$14.3 million earmarked for factory construction is not known, although it is believed that the cost of the factories is exceeding original estimates.

The Soviet hospital was scheduled to be finished by July. Although the Soviet Ambassador to Cambodia reportedly has offered to supply as many as 100 Soviet physicians, nurses, and technicians to staff the hospital, protocols to the original hospital agreement were signed in May in which the Cambodian Government agreed to accept only 18 Soviet medical personnel and 6 interpreters. It was also agreed that the USSR would build a dormitory for the staff, furnish medicine sufficient for 2 years, and train 20 Cambodian doctors in the USSR.

There appears to have been some increase in the number of Bloc technicians employed; probably about 210 were in Cambodia during the period under review. All were from Communist China except for

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18 Soviet personnel supervising the construction of the hospital, 1 Polish petroleum geologist, and 1 Czechoslovak electrical engineer.

Trade statistics for 1959, although failing to record imports of equipment for direct use on Bloc aid projects, show a significant increase in Cambodian trade with the Bloc. Exports to Bloc countries, mainly to Communist China, rose from an insignificant figure in 1958 to 4 percent of all exports in 1959. Imports from the Bloc constituted about 9 percent of total imports in 1959, compared with 7 percent in 1958.

### 3. Ceylon

The Bloc did not undertake any new activities in Ceylon during the first half of 1960. Ceylon was preoccupied with domestic politics throughout the period, a second general election having been scheduled for July after the failure of the March election to produce a majority government. Although the minority United National Party (UNP) government which took office in March reaffirmed Ceylon's neutralist foreign policy, its leaders tended privately to be somewhat unenthusiastic about closer relations with the Bloc, especially Communist China.

No new Bloc credits were extended to Ceylon during the first half of 1960. Of the 16 projects proposed under the \$30 million Soviet credit of February 1958, 7 have been approved by the Ceylonese Cabinet, and agreements for 6 of the 7 were concluded with the USSR, as follows: a land-clearing project at the Czechoslovak-constructed Kantalai sugar mill, an iron and steel plant, a reservoir project, a tire and tube factory, the Kelani River multipurpose project, and a flour mill and grain elevator at Galle. Agreements for the last two projects were signed in January and April 1960. Land clearing and development for a cotton plantation is the remaining Cabinet-approved project, but it is not known when a project agreement might be signed.

The only project on which work has actually begun is the Kantalai sugar plantation. Although construction of the sugar mill by Czechoslovakia is near completion, mechanical breakdowns of some of the Soviet equipment have hampered jungle-clearing operations.

The Ceylonese Government announced that a Polish firm is preparing a project report on the feasibility of building a shipyard in Ceylon. The yard reportedly will build cargo vessels up to a maximum length of 125 feet and will have repair facilities for diesel-operated fishing vessels. The shipyard is not one of the projects included in Ceylon's draft Ten Year Plan, and it is likely that the Polish Government sees in the project a way in which to sell iron and

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steel products to Ceylon. There is no known Polish credit offer involved.

Ceylon and Communist China reached agreement in January 1960 on the quantities of rubber and rice to be exchanged during the year. Ceylon will sell 17,000 metric tons of rubber to Communist China at a value of \$12.8 million and will buy 160,000 tons of rice from China at a value of \$13.4 million. In addition, China also will be able to buy 5,000 tons of rubber with credits obtained from the sale to Ceylon of Chinese exports other than rice. The quantities agreed on are well below those exchanged in 1959 (230,000 tons of rice and 30,000 tons of rubber -- amounts which Communist China had hoped to duplicate). The reduced volume of rice and rubber to be exchanged this year reflects Ceylon's desire to reduce its dependence on Communist China and points up the feeling of many Ceylonese officials that the 1953 barter pact with Communist China has lost much of its economic appeal as far as Ceylon is concerned. Ceylon's bargaining position is much stronger this year than last because prevailing rubber prices are higher and a substantial part of Ceylon's requirements for rice is already assured from Burma.

About 40 Bloc technicians were at work in Ceylon in the first half of 1960, mostly Soviet and Czechoslovak personnel assigned to the Kantalai sugar acreage project. The Ceylonese appear satisfied with their competence, and there has been no evidence thus far that they have been engaging in other than technical assistance activities.

Trade figures for 1959 show a 9-percent increase above 1958 in the value of Ceylon's trade with the Bloc, which constituted about 8 percent of the country's total trade, the same as in 1958. Most of the increase represented greater Ceylonese purchases of machinery from Poland and Czechoslovakia and larger Soviet imports of rubber. In the first quarter of 1960, however, Ceylonese imports from the Bloc fell by 25 percent compared with the same period in 1959, although imports from all countries rose by 11 percent. Much of the decline is attributable to reduced purchases from Communist China, Poland, and Czechoslovakia. Exports to the Bloc tripled in the first quarter, compared with only a 27-percent rise in total exports, mainly as a result of greater Bloc purchases of rubber. Chinese Communist products, other than rice, continue to be found unacceptable or noncompetitive in many lines. Proceeds from the sale of Chinese goods to finance rubber replanting have not been drawn for the last 2 years, and the government remains reluctant to flood the country with Chinese consumer goods of dubious quality. Textiles and some household appliances appear to be the principal items among the few Chinese goods that can command a ready market in Ceylon. The Government of Ceylon rejected a Chinese bid to supply a textile mill.

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Bloc influence in Ceylon declined somewhat in the first half of 1960, as reflected in Ceylon's lessening its dependence on Communist China as a supplier of rice and as a market for its rubber. Although there probably was a greater degree of pro-Western sentiment among leaders of the interim UNP government than in any previous Ceylonese government since 1956, the caretaker status of the government made impossible a crystallization of this sentiment.

#### 4. India

The strained relations between New Delhi and Peiping arising out of the border dispute have not reduced India's receptivity to attractive trade and aid offers from the USSR and the European Satellites, nor have they weakened Prime Minister Nehru's firm adherence to a policy of nonalignment. The very substantial foreign assistance required to maintain the forward momentum of India's development program continues to be the principal reason for this receptivity.

The USSR apparently has not suffered any loss of prestige in India as a result of the border issue inasmuch as it has continued to maintain its "impartial" stance. Khrushchev's brief visit to India in February and his suggestion after the May Paris meeting for Indian participation in a future summit meeting demonstrated the Soviet desire to continue good relations with India.

Strained relations between India and Communist China have exacerbated longstanding factionalism within the Communist Party of India (CPI). The "nationalist" versus "internationalist" division has intensified the split over tactics for obtaining power occasioned by the dismissal of the Kerala government in July 1959. Nevertheless, although the CPI's effectiveness may have been reduced by these events and conservative concern over the threat of Communism crystallized, the Party's performance in various local elections suggests that its appeal has not been materially diminished.

Although the Bhilai steel mill remains the only major facility erected with Bloc aid that has gone into production, progress has been made on some of the other projects. The Indian Government has accepted the detailed project report prepared by Soviet experts on the heavy machinery plant at Ranchi, Bihar State, and construction is underway. A project report on a foundry-forge unit to be built with Czechoslovak assistance, which will supply forgings and castings required by the machinery plant, has been submitted to India. Initial delivery of the machinery is not expected before the end of 1960. Project reports also have been accepted for the coal mining machinery plant and ophthalmic glass plant, both to be located at Durgapur, West Bengal, but progress continues to be slow on both of these projects.

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Soviet manufacture of the elements for the large Neyveli powerplant, located at a large lignite project in Madras State, reportedly is proceeding satisfactorily, but disagreement with the USSR on the training of the Indian engineers and delays in adapting the Soviet machinery to Indian needs caused a 1-year delay in completion of the project. Apart from the preparation of designs by the Soviet engineers, there has been no discernible progress in utilizing the \$16.8 million earmarked in the November 1956 Soviet credit for the mechanization of the Korba coal-fields.

An agreement signed in February between India and Soviet officials lists 10 projects that will be assisted under the \$375 million credit extended by the USSR in July 1959. Five of the projects are expansions in capacity of projects previously agreed upon (the Bhilai steel mill, Ranchi machinery plant, Durgapur mining machinery plant, Neyveli powerplant, and Korba thermal power station); three are new projects (heavy electrical equipment plant, industrial control equipment plant, and a 250,000-kilowatt power station at Singrauli); and two represent a continuation of current Soviet commitments (completion of the Barauni oil refinery and petroleum exploration and production in the Cambay area and elsewhere). The estimated total cost of all the projects is roughly \$840 million, the foreign exchange cost of which will be met in part from the November 1956 credit of \$126 million and in part from the \$375 million credit.

Under the \$375 million Soviet credit the Bhilai steel mill will be expanded from 1 million to 2.5 million ingot tons during the Third Five Year Plan (1961-66). Between October 1959, when steel production began, and April 1960, about 100,000 tons of ingots were produced. Construction of the major auxiliary units at the Bhilai plant is proceeding on schedule, and all units are being brought into production immediately upon completion. The entire plant is expected to be finished in late 1960 or early 1961.

Poland's participation in the Bloc economic assistance program in India began in May with the signing of an agreement with India providing for a \$30 million credit for industrial projects. Polish technical services also will be utilized, and Indian specialists will be trained in Poland preparatory to operating the plants. Poland reportedly also will provide equipment and technical aid for the construction of a small steel rolling mill in Agra. Deliveries of Polish equipment were to begin in May 1960, and construction is to be under the supervision of Polish technicians. The mill apparently will be constructed under the Polish-Indian trade agreement and does not form a part of the \$30 million credit.

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The Czechoslovak Government has extended a credit of \$1.7 million to a private Indian firm for machinery to produce automobile tires.

The Government of India has announced its tentative decision on the location of the six pharmaceutical plants to be built with the assistance of a \$20 million Soviet credit extended in June 1959. A Soviet technical team surveyed the plant sites in early 1960 to determine costs and raw material availabilities, but completion of all the plants is not expected before 1964. Although India reportedly was reluctant to accept the large antibiotics plant included in the Soviet package proposal because of existing or contemplated capacity in this field, Soviet willingness to build the other units was understood to have been contingent upon acceptance of the antibiotics unit. The possibility of the creation of surplus capacity coupled with the likely friction with private firms has had an unsettling effect on India's pharmaceutical industry. Some partisans of the Soviet proposal, including Indian Communists and a few of their influential sympathizers, have endeavored unsuccessfully to get control of the government's penicillin factory in order to put its plant, laboratories, and technicians at the disposal of the Soviet project. Such an eventuality, although unlikely at the present time, would mean a virtual monopoly by the Soviet project of a large segment of an important Indian industry.

Soviet and Indian atomic energy authorities have announced agreement in principle on collaboration between their two countries on the peaceful uses of atomic energy, including the design and construction of nuclear power stations, the use of radioisotopes, and the training of specialists. India has an ambitious nuclear energy program, and a decision to proceed with the construction of additional power reactors would increase the chances of a firm Soviet offer in this field and of eventual Indian acceptance of the offer.

Bloc access to India's strategic petroleum industry was strengthened by Indian acceptance of a Soviet offer to supply large quantities of petroleum products. A contract has now been signed under which India will import 1.5 million metric tons of Soviet refined petroleum products during the next 3 years. The payment will be in rupees and at discounts from the prices that India now pays. The three Western-owned refineries that process all of India's imported crude oil (5 million tons in 1959) have declined an Indian Government request to purchase and refine Soviet crude oil on the grounds that their refinery agreements with India permit them to import crude oil from their own sources of supply. The government-owned refineries at Barauni and Gauhati, being built with Soviet and Rumanian assistance, respectively, are located inland and designed

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to refine Indian-produced crude oil. Although the companies have reduced the price of crude oil, the Soviet offer has inevitably further strained their relations with the Indian Government. Approximately \$69 million of the \$375 million Soviet credit was earmarked for the exploration for and development of oil and natural gas under an agreement signed by India and the USSR on 16 June.

It is estimated that, during the first 6 months of 1960, there were 1,100 Bloc technicians in India, of whom 872 were Soviet specialists at the Bhilai steel mill and most of the remainder Soviet and Rumanian petroleum technicians. The technicians at Bhilai are scheduled to leave at various dates between November 1960 and August 1961, by which latter date all of them will have departed.

In March, India and the USSR exchanged letters on trade arrangements for the year 1960 pursuant to the 1958 Indian-Soviet trade agreement. India's imports from the USSR for the first time will include petroleum products as well as the usual iron and steel and industrial machinery. Trade agreements with Czechoslovakia, Rumania, Bulgaria, and Hungary also were either signed or extended. China was the only Bloc country with which India did not seek an extension of its trade agreement, which expired at the end of 1959.

India's trade with the Bloc in 1959 totaled \$207 million compared with \$208 million in 1958, or about 5 to 6 percent of India's total trade. The USSR accounted for 55 percent of India's trade with the Bloc, followed by Communist China, Czechoslovakia, and Poland. In India's trade with the Bloc as a whole, imports fell in 1959 and exports rose, giving India a favorable balance with the Bloc for the first time since 1955.

Soviet influence in India remained relatively unchanged during the first half of 1960. By midyear, India had received more economic aid from the Bloc (principally from the USSR) than any other underdeveloped country. The USSR and European Satellites have demonstrated a willingness to continue to assist India in its development effort. The Bloc's continued interest in India's key role in Asia and India's large requirement for foreign economic assistance indicate that the Bloc's presence in the future will be at least as substantial as at present.

##### 5. Indonesia

President Sukarno retained the political initiative throughout most of the past 6 months in a series of small-scale maneuvers designed to reduce the influence of conservative politicians and Army leaders. By June, when the conservative protest movement against the

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President's newly appointed rubber-stamp parliament finally aborted, it became clear that Sukarno's maneuvering had brought about a net shift to the left. A proportionately larger group of Communists and fellow travelers was seated in Parliament, now altogether purged of the opposition, and Army influence in the high councils of government had somewhat receded. Realization of Sukarno's longtime goal of Communist representation in the Cabinet appeared nearer.

For the Partai Komunis Indonesia (PKI), the situation did not require a new departure. The PKI continued its steadfast support of Sukarno and adroitly aimed its attacks on the government at Cabinet or lesser officials. Bloc efforts to encourage the leftward slide achieved at first only mediocre success as Khrushchev's visit in February failed to arouse warm feeling between either the leaders or the people of the two countries and made little propaganda impact. Nevertheless, the renewed expression of Soviet support -- the \$250 million credit, Khrushchev's vigorous endorsement of Indonesia's claim to West Irian, and the offer of heavy fighting ships -- is of long-term importance, particularly against the background of the new West Irian crisis that broke out in late spring when the Netherlands dispatched an aircraft carrier to the island.

The bitterness in Sino-Indonesian relations subsided somewhat after the first shock of Indonesia's execution of its ban against Chinese traders in rural areas in late 1959 and early 1960. Friction continued, however, and relations worsened sharply again in the late spring as both sides reacted emotionally to an incident arising from the repatriation of a shipload of Chinese. For the moment, economic cooperation between the two countries was out of the question, and Indonesia dropped China's \$30 million credit offer from consideration.

Business newspapers in Djakarta reacted skeptically to the announcement of the USSR's new \$250 million line of credit, pointing out that only some \$25 million had been drawn from the previous \$17.5 million credit, although it had been ratified by the Indonesian Parliament fully 2 years before. Soviet construction projects undertaken have indeed gone slowly because of Indonesian delays. Serious construction work has begun only on the Asian Games stadium at Djakarta and on the Southeast Borneo road network. Initial construction contracts for the West Java steel plant have been signed, and the Amboina shipbuilding and oceanographic school and the superphosphate plant for Central Java remained in the survey stage.

Moreover, rapid progress cannot be expected. Nearly everything, from day labor and foodstuffs to construction machinery, must be imported to the work sites at Amboina and Southeast Borneo on the ships of Indonesia's very undependable interisland services. The

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relatively sophisticated construction methods adopted for the Asian Games stadium require large quantities of aggregates that are more refined than Indonesian contractors are accustomed to process and that must be brought from a considerable distance outside Djakarta. Affecting all the projects, but most particularly the steel and superphosphate plants, is Indonesia's failure to begin training managers and technicians.

Negotiations on the use of the \$250 million credit began in Djakarta in mid-June and are to be carried forward during First Minister Djuanda's visit to Moscow in early July. With its emphasis on relatively advanced technology -- major projects in iron and steel are planned as well as introductory programs in atomic energy -- it is unlikely that the new line of credit will be drawn any more rapidly than the first. There is as yet no evidence as to how much of the total will be allocated to projects involving delivery of equipment only.

Speed of execution is, however, only one of several factors to be considered in assessing the impact of the Soviet program, and the fact remains that the projects will effectively identify the USSR with the achievement of Indonesian aspirations on a national and particularly on a provincial level. Thus construction of a large modern technical school is a major event in stagnant Amboina, as is the large-scale Soviet effort in the backward provinces of Southeast Borneo. In the Asian Games stadium and the West Java steel mill the USSR is supplying status symbols of national importance. Moreover, negotiations on the use of the \$250 million overlap with the last stages of preparing Indonesia's Second Five Year Plan, permitting the USSR to offer immediate support to the most promising projects now being considered.

Evidence of other credits contracted during the first 6 months of the year is still incomplete. During the period, Indonesia arranged to buy 70,000 telephones and five 1,500-ton freighters from Hungary at a total cost of about \$6 million. It is certain that a substantial part of the purchase price was financed on credit, probably at fairly long term. In May the Indonesian Air Force took delivery of the first 4 of 20 Soviet helicopters under an October 1959 contract that specifies a total price of \$5.5 million, no downpayment, and terms of 10 years at 2 percent. Indonesia is also reported to have accepted the Soviet offer of a cruiser, several submarines, and other naval equipment made during Khrushchev's visit in February, but no details of the transaction are known.

Bloc technical assistance programs were considerably more active in early 1960 than in the previous 6 months. Intensified survey work accounted for much of the increase, as Soviet survey teams

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of one or two to half a dozen men paid repeated visits to actual or proposed construction sites in Amboina, Southeast Borneo, and Java. A small group of East German experts surveyed for a textile mill in Medan, a Czechoslovak team investigated the possibilities of building a cement plant near Makassar, and Polish experts began a survey for the shipyard to be constructed in the Celebes. The number of Bloc technicians stationed at construction sites also increased. It is estimated that the Soviet engineering team assigned to the Borneo road project was built up from 6 to 25 men; perhaps as many Soviet experts were employed at the Asian Games project. Groups of two and three Czechoslovaks are still stationed at the mechanized rice projects in North and South Sumatra and in South Borneo. Apparently none have any agricultural training, and they operate only as maintenance and repair men. A single Czechoslovak manager remains at the Intirub tire factory at Djakarta.

The largest concentration of Bloc personnel continued to be the same 50 Polish and East German officers employed by the national shipping line Pelni. Working relations with Indonesians were satisfactory on the whole, although during the spring there was some bad feeling at the Asian Games and mechanized rice projects.

The Bloc drive to penetrate higher education in Indonesia showed considerable progress in the first half of 1960, largely because of the sponsorship of Indonesia's fellow-traveling Minister of Education. A program implementing the cultural convention signed during Khrushchev's visit in February was initiated in June, and shortly afterward Indonesia announced that the number of Indonesian students studying in the USSR would double during the coming school year. The number of Indonesian students attending Rumanian, Polish, and Czechoslovak universities also is rising.

Bloc trade with Indonesia increased again in the second half of 1959, and for the first time the Bloc share of Indonesian exports exceeded 10 percent, up from 6.4 percent in the preceding half-year. The value of Indonesia's imports from the Bloc -- still drawn almost entirely from Communist China -- also increased, but the Bloc share fell from 14.3 percent to 11.4 percent. Although its performance improved as the year went on, Communist China fell behind schedule in rice deliveries and delivered only 267,000 tons out of a contracted total of 340,000 tons. As a result the Indonesian Government did not place large rice orders in Communist China for 1960 delivery, and the Bloc share in the Indonesian import market is expected to drop appreciably this year.

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6. Federation of Malaya and Singapore

Vigorous antisubversion policies left little scope for either Bloc or local Communist activity in the Federation of Malaya in the past 6 months. In May the Federation Government declared the 12-year-old Communist-provoked "emergency" at an end. Extraordinary policy powers granted under emergency legislation lapse at the end of July, but Parliament has already enacted an internal security law providing an even stronger array of antisubversion weapons. The Federation holds in readiness antidumping tariff authority specifically designed to control an aggressive Bloc export campaign such as Mainland China waged in 1958. Although in June Prime Minister Rahman startled his colleagues in the government by advocating Communist China's admission to the UN as a necessary step in the search for world peace, the Federation intends to continue its policy of nonrecognition of all Bloc governments. Controls on travel and remittance to Communist China remain in effect.

Federation attitudes exert a powerful discipline on Communist and pro-Communist activity in Singapore. Both the opportunist leadership of the ruling Peoples Action Party (PAP) and the Party's strong extremist wing accept merger with the Federation as a major political goal, simply because neither feels it could long survive in power without Federation economic cooperation. Equally important is the Federation's decisive voice in the Singapore Internal Security Council and its influence on the manner in which the UK exercises its retained prerogatives in the fields of foreign relations, defense, and public security.

Although the Singapore Government pressed hard for acceptance of the visit, there is no reason to believe that it intended to seek closer relations with the Bloc immediately. Its intention, rather, appears to have been to test the UK's resolution to defend UK prerogatives as well as to dramatize its need for foreign assistance on a large scale and also to reaffirm its willingness to seek assistance from the Bloc if sufficient capital were not forthcoming from the Free World. Although current high rubber prices give Singapore a surface prosperity, private investment is flagging and unemployment remains high. As yet the PAP can show little progress toward its much-publicized goal of economic development.

It is possible, also, that the PAP leadership feels that some measure of Bloc sponsorship would be an asset in its struggle against growing extremist pressure within the party itself. The leadership is clearly digging in against an expected extremist onslaught: preventive detention authority has been extended for an unprecedented 5 years, the trade union movement reorganized, and the

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right to strike circumscribed. A limited pattern of cooperation with UK authorities and the opposition has been established.

Malaya-Singapore imports from Communist China show only slight recovery from the 1959 slump that followed reciprocal embargoes imposed in late 1958. Imports of Chinese goods amounted to 4.6 percent of total imports in the first 4 months of 1960, compared with 4.1 percent in the corresponding period of 1959, whereas purchases of goods from other Bloc countries remained trivial. Except for Peiping's ban on direct exports of textiles to the Federation -- imposed in September 1959 in retaliation against alleged Federation discrimination -- the China import trade is now free of quantitative restrictions. Communist China's sales in the Federation remain low as a result of the closing of Bank of China branches in March 1959 and continued police surveillance of merchants who handle Chinese Communist goods. Soviet purchases of rubber, whose exceptional volume in 1959 catapulted the USSR into fourth place among Malaya's customers, fell off sharply in 1960. Increased exports to Communist China, Czechoslovakia, and Poland somewhat offset the drop, but the Bloc's share of Malaya-Singapore exports decreased from 14 percent in the first 4 months of 1959 to 8 percent in the same period in 1960.

#### 7. Nepal

The pace of Communist Bloc activity in Nepal was considerably accelerated in the first 6 months of 1960 in an effort to insure Nepal's continued neutrality and to discourage Western influence. Communist China was especially concerned to overcome Nepalese suspicions arising out of Peiping's repressive actions in Tibet and its aggressive actions on the Sino-Nepalese border. During Prime Minister Koirala's visit to Peiping in March, Communist China agreed to a definition of the Nepalese-Tibetan border, offered \$21 million to Nepal in grant aid, and proposed the conclusion of a Sino-Nepalese treaty of peace and friendship, whereas Nepal agreed to permit the establishment of a resident Chinese Communist Embassy in Katmandu, to accept Chinese Communist technicians, and to send Nepalese technicians to Communist China for training.

At the same time that both the USSR and Communist China have been working to appear friendly and reasonable to the Nepalese Government, they have also been stepping up their subversion and propaganda campaigns. The Chinese Communists have been propagandizing among Nepalese border tribes of Tibetan ethnic origin in an effort to induce an allegiance to Tibet. Along with the USSR, the Chinese Communists reportedly have given covert backing to at least two campaigns of Nepalese opposition groups designed to embarrass the Nepalese Congress government. Both Bloc countries reportedly have strengthened their

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liaison with the local Communist Party. In addition, there has been some expansion of the distribution of Chinese Communist and Soviet publications by the Nepalese Communist Party through eight reading rooms throughout the country.

Nepal's economic relations with the Bloc were highlighted by the signing in Peiping in March of a \$21 million economic and technical cooperation agreement with Communist China. The agreement stipulated that the \$21 million grant to Nepal plus an additional \$8.4 million (unused portion of a 1956 Chinese grant to Nepal) are to be drawn within the next 3 years, although the period of validity may be extended by mutual agreement. Chinese Communist technicians will be sent to Nepal, and Nepalese will receive training in China. The new aid as well as the unexpended balance from the earlier grant will be spent on specific projects -- roads, a paper mill, a cement plant, and power facilities. It is very doubtful whether Nepal will be able to utilize all of the grant within 3 years, but continuation of the agreement beyond this period is provided for. Reaction in Nepal to the agreement was very favorable.

A cement plant near Hitaure and a paper mill in the Nepal-ganj area of western Nepal are apparently the first projects to be built with funds from the Chinese grant. In early June, there were 15 Chinese Communist technicians in Nepal engaged in making feasibility studies for the cement and paper plants, with 20 more expected before the end of the year. As far as is known, formal project agreements for these installations have not yet been signed between the two countries, and implementation of the grant is not expected until a Nepalese team has observed the working of comparable installations in Communist China. Chou En-lai in a speech before a Nepalese trade organization suggested joint Chinese-Nepalese construction of a road linking Nepal with Tibet, but Prime Minister Koirala rejected the idea, citing the uneconomical nature of such a project in the light of the small amount of trade between the two countries.

Nepalese officials confirmed press reports that Nepal has accepted a Soviet offer to make a detailed ground survey of an east-west road running the length of the southern plain of Nepal. An earlier aerial survey for such a road was completed last year under the terms of the 1959 grant-aid agreement with Nepal. Acceptance of the Soviet offer has increased very materially the likelihood of the USSR's ultimately actually building the 550-mile road, which if successfully done would be an impressive monument to Soviet engineering skill and have a great propaganda impact in Nepal. The cost of the detailed ground survey probably will be met from the 1959 Soviet-Nepal agreement. The Soviet technicians apparently have favorably impressed various Nepalese officials with the speed and efficiency

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of their preliminary surveys of the east-west road project. Meanwhile, Soviet technicians reportedly have surveyed the areas and chosen the sites for the sugar mill, hydroelectric project, and cigarette factory. Additional Soviet teams are expected in October to supervise the actual construction.

In spite of Nepal's acquiescence in Chinese demands that a provision for sending Chinese technicians to Nepal be included in the grant-aid agreement, Nepal remains reluctant to accept such technicians in great numbers and probably will seek to confine their presence in the country to a minimum period of time. There is evidence that Nepal is concerned over Bloc interference in its internal affairs, although Soviet and Chinese diplomatic personnel resident in Katmandu allegedly have been involved rather than Bloc technicians. The Chinese Communists reportedly spent \$4,000 to finance demonstrations against the Gandak agreement (an Indian-Nepalese power project in eastern Nepal) and offered another \$4,000 to three Nepalese newspapers for anti-Indian propaganda. The Government of Nepal has warned Bloc personnel against becoming involved in Nepal's domestic affairs.

Nepal's need for developmental assistance, its neutralist foreign policy, its desire to avoid undue dependence on India, and its geographic proximity to Communist China combine to make it receptive to attractive Bloc overtures and reluctant to antagonize the Bloc. Nepal is vulnerable to Bloc subversion and propaganda carried on within the country because of the great degree of political illiteracy in the electorate and its lack of national identity together with the severe weakness of local government organization. Given these factors and indications that some progress will be made on aid projects, it seems probable that the increase in Bloc influence during the first half of 1960 will remain a threat to internal stability.

#### 8. Thailand

Thailand continues to be a difficult area for Sino-Soviet activities. Since the October 1958 Army coup, the government has maintained the strong measures aimed at controlling the kingdom's small Communist movement, and it is doubtful that Thailand will undertake a serious reassessment of its alignment with the West and active participation in SEATO. Greater receptivity to Bloc trade in 1960 is motivated primarily by Thailand's desire to increase exports. Over-all trade deficits have widened in 1958 and 1959, but balance-of-payments difficulties have been avoided by greater reliance on external aid. If Thailand's exports to the Bloc should increase, this trade may be used to dramatize both Thai dissatisfaction with US support to neighboring neutrals and the need for greater financial assistance.

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Other than in the field of trade, Thailand continues to restrict severely its relations with the Bloc. The Thai Government has agreed to permit the stationing of a TASS representative in Bangkok to replace the one who was deported in October 1958 for "activities dangerous to the peace and security of the nation," but his activities doubtless will be carefully circumscribed by the Thai police. No exchanges of cultural delegations between Thailand and members of the Bloc took place during the first half of 1960, and no Thai students have left for study in Bloc countries.

Thailand's trade with the Bloc in 1959 and the first 2 months of 1960 continued to represent only about 1 percent of total trade. The chief change in the trade pattern in 1959 was the curtailment of trade with Communist China and the entry of the USSR and Czechoslovakia into the Thai rubber market. Thailand's exports to the Bloc in 1959 were almost entirely rubber shipments -- \$2.1 million to the USSR and nearly \$0.3 million to Czechoslovakia. A ban on imports from Communist China imposed in January 1959 prevented imports from this source. The ban was effective in preventing not only the small amount of direct imports but also the larger quantities of Chinese goods entering Thailand by way of Hong Kong.

Bloc countries appear to be increasing their efforts to stimulate trade in 1960. Rubber authorized for shipment to the USSR and Czechoslovakia amounted to about 4,000 tons for the first 4 months. This figure may be compared with rubber exports to the Bloc of 3,302 tons in 1959, which represented about 2 percent of total rubber exports. Although purchases at the new rate may not be continued for the balance of the year, they are already substantial enough to indicate a step-up in Bloc trading activity.

D. Europe

1. Iceland

The Bloc continued to utilize the Icelandic Communist Party as a vehicle for the advancement of its political goals in Iceland: (a) the elimination of US forces, (b) Iceland's withdrawal from NATO, and (c) the establishment of economic dependence on the Bloc. The Icelandic Communist Party has a membership of about 900 and polled 16 percent of the vote in the October 1959 elections. It supports the Bloc propaganda effort through its press and front organizations. The Communists have especially sought to exploit the lengthy Icelandic dispute with the UK over UK trawlers, protected by the British frigates, fishing close to Iceland. The Communists point to the fact that for the last 8 years the Bloc has furnished the principal market for processed herring and frozen fish fillets, products that Iceland can sell in the West only with difficulty.

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In February 1960, Iceland took drastic action to stabilize its economy and to improve the competitive position of its exports by a 57-percent devaluation of its currency. The effectiveness of the currency devaluation, however, may be limited by expected increases in the tariff on fish in potential markets of the European Economic Community (EEC), and this tends to jeopardize Iceland's effort to minimize its trade with Bloc countries. The other NATO member countries have agreed to discuss special conditions that could be afforded Iceland to help it out of its trade dilemma.

Trade between Iceland and the Soviet Bloc in 1959 remained at about the same level as in 1958. Icelandic exports to the Soviet Bloc accounted for 34 percent of the total, and imports from the Bloc amounted to 31 percent of the total, about the same as in 1958. Composition of trade remained virtually unchanged. The USSR continues to be the largest single trading partner, closely followed by the United States.

In January 1960 an extension until 1962 of the original Icelandic-Soviet trade agreement of 1953 was signed in Moscow. The level of exports and imports is not known, but it appears that the total value of trade will be approximately the same as that of the last several years. The Icelandic delegation succeeded in getting the USSR to accept a larger quantity of salted herring than that which the USSR originally had intended. After signing the Soviet-Icelandic Trade Protocol, members of the Icelandic delegation to Moscow stopped in Warsaw to discuss pending trade problems.

Bloc efforts to influence Iceland in political and economic matters have met with increased resistance. With the successful launching of the Stabilization Program, the country may soon be able to consider membership in the European Free Trade Association (EFTA). A membership would assist Iceland in reducing present commercial dependence on Soviet Bloc countries. Although Bloc efforts to separate Iceland from NATO have not been successful, a solution to the UK fishery problem is needed to make Iceland a stable member of NATO.

## 2. Portugal

Portugal's trade with the European Satellites is quite small and exists chiefly to enable Portugal to market its surplus cork. On the other hand, trade with the USSR, which is on a barter basis, consists largely of the exchange of miscellaneous Portuguese commodities for Soviet petroleum and petroleum products. Although the Portuguese authorities also permit the procurement of machinery items from the USSR, they make it a condition of purchase that neither

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the installation nor the functioning of such machines shall require the assistance of the suppliers. Trade with the USSR, therefore, cannot be used as a device for getting Soviet technical personnel into Portugal.

In 1959, Portugal's total imports from the Bloc were about 1 percent of total Portuguese imports, and exports amounted to about 2.3 percent of total exports. Within the Bloc, Czechoslovakia and the USSR are Portugal's most important trading partners. Preliminary figures indicate that Portugal's trade with the Bloc in 1960 has not increased above the 1959 level.

### 3. Spain

Spanish trade relations with the Bloc have never been intensive. Although closer ties with the Free World system of foreign commerce may be expected to make trade overtures by the Bloc less interesting to Spain, it is probable that at least a small amount of Bloc trade will continue. The Bloc is a market for some of Spain's agricultural and mineral products, and Spain can find use for industrial equipment from almost any source.

For several years, Spain has negotiated trade and payments agreements between its foreign exchange office and the central banks of Poland, Czechoslovakia, Hungary, Rumania, and Bulgaria, whereas private barter agreements govern trade with the USSR and East Germany. There are some indications that Spain may negotiate unofficial trade and payments agreements with the latter two countries.

In 1959, Spain's trade with the Bloc rose slightly above that of 1958, accounting for 2.4 percent of its total imports and for 4.2 percent of its exports. Its most important trading partners in 1959 were Czechoslovakia and the USSR, which together accounted for more than one-half of Spain's total Bloc trade. As in previous years, Spanish trade with the Bloc was based chiefly on the exchange of cork, citrus fruits, nuts, minerals, and metals for machinery and equipment and miscellaneous fabricated items.

Trade agreements for 1960 were negotiated between the Spanish Foreign Exchange Office and the Central Bank of Czechoslovakia for an exchange in 1960 of goods worth \$9 million each way. A supplementary agreement with Poland was negotiated in March 1960 that provides for Poland to supply \$3 million worth of machinery of various types to Spain in return for \$3 million worth of marine craft and related equipment.

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#### 4. Yugoslavia

Yugoslavia's relations with the Bloc during the first half of 1960 were highlighted by the polemics that arose with Moscow's attack on the attitude that Belgrade took toward the U-2 incident and the summit failure. In a statement on 17 May, Tito deplored the U-2 incident but argued that it should not be used as a "pretext" for wrecking the summit. The Chinese Communist and Albanian press immediately seized upon Tito's statement as proof of Yugoslavia's willingness to serve the imperialist aggressor, but their attacks were quickly overshadowed by a sweeping denunciation of Belgrade's revisionist internal and external policies carried in the 23 May issue of Moscow's Kommunist. This attack was the first from the USSR since early 1959 and appeared to foreshadow a harder Bloc policy toward Yugoslavia.

At the end of June, however, Yugoslav-Bloc relations seemed to be continuing along the same lines of limited détente as they had in 1959 and early 1960. Except for Chinese Communist and Albanian diatribes, there has been almost no followup on the Kommunist attack. Even a sharp Yugoslav rebuttal has gone unanswered. State-to-state relations (mainly economic) have not deteriorated. There has been no change in the status of the Bloc credit program in Yugoslavia.

Yugoslav-Bloc trade in the first quarter of 1960 was 33 percent higher than in the same period of 1959. Exports rose 20.4 percent and imports rose 42 percent. The USSR, East Germany, Poland, and Czechoslovakia were Yugoslavia's largest Bloc trading partners, in that order. Yugoslavia's trade with Bloc countries has increased, but the Bloc's percentage of total Yugoslav trade has declined because of the growth of Yugoslav trade with the rest of the world. Yugoslavia's trade with the Bloc countries in the first quarter of 1960 was 24.7 percent of its total trade, during the first quarter of 1959 it was 26.6 percent, and for all of 1959 it was 27.3 percent.

Yugoslavia and the USSR scheduled negotiations to begin in July for a 5-year agreement to succeed the 3-year agreement (1958-60) signed in April 1957. These negotiations are another indication that Moscow apparently desires to maintain normal economic relations with Belgrade.

#### E. Latin America

##### 1. Argentina

During the first half of 1960, Argentina continued its campaign to curb local Communist activities and to diminish the

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importance of its Bloc ties. Government moves to suppress Communist propaganda and to outlaw the Communist Party gained force as local Communists sought to capitalize on Argentina's economic problems in order to subvert the economic stabilization program. Local Communists, in conjunction with the Peronistas, staged a ballot boycott in an attempt to destroy the validity of the Argentine congressional elections. In spite of the existence of diplomatic relations with the USSR and five Satellites, cultural exchanges between the Bloc and Argentina were minimal.

In a typical attempt to bolster the Bloc's weakening position, high-level delegations from the USSR, Hungary, Poland, Czechoslovakia, Bulgaria, and Rumania attended the 25 May celebration of the 150th anniversary of Argentine independence to which all countries represented in Buenos Aires had been invited. Among the representatives was Soviet First Deputy Premier Kosygin (who signed a new protocol to the Argentine-Soviet credit agreement) and the Ministers of Foreign Trade of Hungary and Poland. During the first half of 1960, Argentina, as part of its general move toward multilateral trade, took further steps to terminate its bilateral agreements with all Bloc countries except the USSR. Although the level of trade in 1960 should not fall significantly below the 1959 level, this move and revisions in the Soviet credit noted below seem calculated to diminish Soviet economic penetration in Argentina.

In February, Argentina announced that \$50 million of the \$100 million Soviet credit for development of the Argentine oil industry would be diverted to other areas of the economy. This intention was ratified by the signing of a protocol to the agreement when Kosygin visited Argentina in May. According to the protocol, the \$50 million may be used for the purchase of road construction equipment, mining equipment, and other machinery. With the \$32 million previously committed to the purchase of oil industry equipment, the use to which \$82 million of the \$100 million credit can be put has not been specified. The remaining \$18 million has been kept in reserve for use by the Argentine government-owned petroleum company YPF (Yacimientos Petroliferos Fiscales). As of 1 June, only \$10.3 million worth of petroleum equipment had been delivered to Argentina. According to a YPF spokesman, four technicians at most may enter Argentina in connection with the credit. Orders for Soviet helicopters and for five deep-well drilling rigs have been canceled or postponed, and some dissatisfaction has been shown by YPF over the failure to get pipe under the credit.

The purchase of 80 Hungarian railroad coaches and railroad machinery and equipment was announced in May. This transaction, amounting to \$11.2 million, was authorized in October 1959 and was

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made under deferred payment within the framework of the expiring Argentine-Hungarian payments agreement. Terms were not given.

Argentine-Bloc trade in 1959 declined from the 1958 level; however, the Bloc's share of total trade remained at approximately 5 percent, the same as the year before. This over-all decline in total Bloc trade may continue into 1960, but increased imports of equipment under the \$100 million Soviet credit together with the delivery of Hungarian rail equipment could maintain the present level. On the other hand, Argentina's approach to self-sufficiency in oil production and its present moves toward cancellation of its bilateral agreements will tend to discourage trade with the Bloc.

Bloc influence in Argentina appears to have weakened in the last 6 months. A concerted drive by the government to reduce local Communist activities coupled with its economic reform measures have brought about a less favorable atmosphere for Bloc activity.

2. Brazil

During the first half of 1960, Brazil was second only to Cuba as a target for Bloc activity in Latin America. Especially strong efforts were made to exploit Brazil's anxious search for new markets and credits for its ambitious program of industrialization and economic development. Poland and Czechoslovakia, which presently have diplomatic relations with Brazil, sought to strengthen these ties; and the USSR and the other Bloc countries made a sustained effort toward establishing diplomatic relations. Effective propaganda was slanted toward the development program, emphasizing the economic accomplishments of the Communist Bloc and its potential as a vast new market. In addition, the Bloc has continued to play on Brazil's sensitive feelings of nationalism, especially their more extreme and anti-American manifestations.

The tangible results of the Soviet trade offensive, although significant, have been less impressive. By midyear, after protracted negotiations, trade resulting from the much-vaunted Soviet-Brazilian trade agreement was only beginning. Some feelings of disillusionment began to appear in certain sectors of Brazilian opinion, helped no small amount by revelations of the defecting chief of the resident Hungarian trade mission that Hungary was using commercial representatives in Brazil as intelligence agents. Trade, however, continued at a generally accelerated pace in an atmosphere still considered friendly.

Although no new long-term credits were extended to Brazil in the first half of 1960, several proposals were reported as pending.

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According to the Sao Paulo press of April, Brazil was considering a Polish offer to build a steel plant with an annual capacity of 150,000 to 250,000 tons at a cost of \$30 million, to be repaid over an 8-year period. A press report that the head of the Soviet trade mission visiting Brazil in May had offered to study Brazilian proposals for long-term Soviet investments at low interest rates in large projects was later denied by the mission head and was probably a trial balloon. A Czechoslovak proposal to manufacture Zetor tractors in Brazil may involve a credit offer. This proposal was endorsed by the Brazilian government Automotive Industry Executive Group as one of ten projects approved for implementation in the program to establish a national farm tractor industry.

In January, three Soviet technicians arrived in Sao Paulo for the reported purpose of assisting the private Companhia Industrial de Rochas Betuminosas (CIRB) in developing its Paraiba Valley oil shale deposits in Sao Paulo State. After making preliminary surveys and presenting their findings before the National Petroleum Council, the group departed late in April with a 200-ton sample of Brazilian shale to be further analyzed in the USSR. The project contemplated by the company involves the conversion of shale into natural gas to supply the Paraiba Valley and ultimately Sao Paulo and Rio de Janeiro. Some doubt exists concerning the motive of the company in employing the technicians and the seriousness of their interest in developing the deposits. The technicians have not yet returned to Brazil, but the press in Sao Paulo has reported that 20 Soviet engineers are coming to Brazil in connection with this project.

According to Radio Warsaw, Polish technicians completed their activities in connection with the completion of a caustic soda plant in Cabo Frio and returned home, having been in Brazil from late 1959 to April 1960.

Brazilian-Bloc trade during 1959 was the highest in Brazilian history, amounting to 4 percent of Brazil's total trade, compared with 3 percent in 1958. Especially notable was the development of significant trade with the USSR and East Germany, neither of which traded on a regular basis with Brazil before 1958. The ranking Bloc traders in Brazil, however, were still Czechoslovakia, Poland, and Hungary.

During the first 6 months of 1960, Brazil signed new 5-year trade agreements with Poland and Czechoslovakia. Both agreements call for a yearly total trade turnover of \$70 million and provide for the exchange of Brazilian coffee, cocoa beans, and other agricultural products for Polish and Czechoslovak machinery and capital goods. If the quotas provided for are realized, trade be-

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between Brazil and both Poland and Czechoslovakia will increase substantially. The new agreements are the first long-term pacts signed by Poland and Czechoslovakia with Brazil.

The first official Soviet mission to visit Brazil since the severance of diplomatic relations in 1957 arrived in Rio de Janeiro in May to discuss the implementation of the December 1959 Soviet-Brazilian trade agreement. After a month of discussion, contracts were signed for Brazilian imports of 150,000 tons of Soviet wheat valued at \$10.3 million, 100,000 tons of diesel oil valued at \$2.3 million, and 600,000 tons of Soviet crude oil valued at \$7.5 million; Brazil will export 11,800 tons of coffee valued at \$8.24 million. The amounts of petroleum products and wheat contracted are those specified in the agreement. The USSR was given until June 1961 to ship the petroleum, an extension of 6 months beyond the period contemplated by the agreement. Problems apparently have arisen concerning the specifications of the Soviet crude oil. The amounts fall short of the \$25 million each way specified in the trade agreement and represent an \$11.9 million import surplus for Brazil. In order to fulfill the terms of the trade agreement, the USSR would have to make additional 1960 purchases of 8,200 tons of coffee plus \$9 million worth of other Brazilian products, and Brazil would have to purchase \$5 million worth of machinery, chemicals, oil industry equipment, and other products. No plans for further 1960 purchases have been announced.

The propaganda image of vast Eastern European markets probably has been the most effective weapon employed by the Bloc in its economic offensive in Brazil since it plays upon Brazil's own desires to open new markets for coffee and other products and to get commodities needed for development from non-hard-currency areas. With the impetus of the new Polish, Czechoslovak, and Soviet trade agreements, this image may gain substantive reinforcement in 1960. The Bloc share could rise to as high as 10 percent of Brazil's 1960 trade if the target increases with Poland, Czechoslovakia, and the USSR take place. Various factors, however, may limit significantly the long-run success of Bloc trade promotion efforts. First, the commodity that Brazil is primarily interested in marketing, coffee, has never been an important consumption item for Bloc countries. In this connection it may be significant that the USSR failed to purchase in 1960 even the relatively small quantity of coffee called for by the trade agreement. Second, the high expectations of the Brazilians probably will suffer a setback when it is discovered that Bloc trade is no panacea for all economic ills. The small amount of trade resulting from the Soviet agreements has already been the source of some disappointment. This disappointment [redacted] has helped to dampen some Brazilian enthusiasm for Bloc trade.

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In spite of the recent emergence of some difficulties, Soviet Bloc prestige in Brazil over the last 6 months has on balance been increasing. Continued efforts to raise the tempo of economic relations by the renegotiation of agreements, the exchange of trade missions, and other trade activities have served to keep the issue before the eyes of the Brazilians. The signing of contracts under the Soviet agreements and the negotiation of a new Czechoslovak agreement should be sufficient to maintain a Brazilian attitude favorable to Bloc economic ties for the near future. The seeds of disillusion may have been planted, however, and, if so, the Soviet Bloc may soon encounter decreased receptivity toward its future promotional activities.

3. Cuba

During the first 6 months of 1960 the Bloc energetically sought to identify itself closely with the Cuban revolution, and Cuba assumed an increasing pro-Soviet orientation both in its foreign policy and in its internal affairs. As Cuba's relations with the United States and the rest of the Western Hemisphere have deteriorated, this desire on the part of both parties for closer relationships has manifested itself on all levels of activity. Diplomatically, the period found Cuba reestablishing relations with the USSR, Czechoslovakia, and Poland and contemplating relations with other Bloc regimes, including those of East Germany and Communist China. During this period a greatly increased exchange of persons between the two areas has been noted. Highlights included the arrival in Havana of the Soviet scientific, technical, and cultural exhibition inaugurated by Soviet First Deputy Premier Mikoyan, the arrival of the Peking Opera Company, and the exchange of trade union, student, and other groups between Cuba and the Bloc. In June, Soviet Premier Khrushchev announced acceptance of a Castro invitation to visit Cuba in the near future. The Cuban-sponsored Latin American news agency Prensa Latina and the various Bloc agencies, including PAP, CTK, TASS, and NCNA have exchanged news coverage and have increasingly followed a common line, while Soviet and especially Chinese Communist news comment has focused upon the Cuban struggle against "Yankee imperialism." Recently the Bloc has begun to use Havana as a base for its propaganda and subversive efforts throughout Latin America.

In the first 7 months of 1960, in response to Cuba's announced desire to expand its markets and diversify its imports, the USSR, Poland, Czechoslovakia, East Germany, and Communist China all signed trade or payments agreements with Cuba. In addition, the USSR granted Cuba a \$100 million credit, Czechoslovakia granted a \$20 million credit, Cuba and Communist China negotiated a technical assistance and credit agreement, and numerous Bloc technicians began to

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appear in the country. Sugar sales to the Bloc in 1960 far exceeded those of any previous year.

In February 1960, in conjunction with a Soviet-Cuban trade agreement, the USSR extended to Cuba a \$100 million line of credit at 2.5 percent interest, repayable in 12 years. This first credit to Cuba extended by a Bloc nation is to be used for new plants and factories during the period 1961-65 and envisions extensive Soviet technical assistance. In June, Czechoslovakia granted to Cuba a \$20 million credit to be used for its industrial expansion program. It is a 10-year credit payable at 2.5 percent interest. East Germany and Poland probably also have extended long-term credits to Cuba.

In June and early July a Cuban economic mission, headed by the Executive Director of the National Institute of Agrarian Reform (INRA), Nunez Jimenez, visited the USSR, Czechoslovakia, Poland, and East Germany to discuss Bloc assistance in Cuba's industrialization program. Upon his return, Nunez stated that his mission had concluded agreements for the purchase of 32 complete factories, including 7 from the USSR, 12 from Poland, 8 from Czechoslovakia, and 5 from East Germany. Included in these factories are a 1-million-ton-capacity steel mill to be erected with Soviet assistance, two powerplants, two textile mills, various metalworking plants, and miscellaneous light industries. Nunez also announced that Bloc trade missions visiting Cuba in the first 6 months of 1960 had agreed to furnish an additional 24 complete factories. Nunez stated that the cost of all 32 of the factories for which his mission had negotiated was \$84 million, of which \$45 million represented foreign exchange costs. Neither the domestic nor the foreign exchange costs of the other 24 plants are known.

Recent reports of an increasing influx of Bloc technicians seem plausible. Probably about 35 Soviet technicians, connected with surveys of Cuba's economy and potential development, were in Cuba by the end of June. A team of Soviet specialists has completed a mineral survey of Pinar del Rio province. Other teams have been reported assisting the Cuban Petroleum Institute, and some probably are involved in agricultural surveys in cooperation with INRA. Rumors of the presence of military advisers have persisted for some time, and some Bloc military personnel may be in Cuba. Some of the technicians reported may have been in Cuba since the Soviet exposition and the Mikoyan visit in February, whereas others have arrived via Venezuela and Curacao. Technicians from Czechoslovakia, East Germany, and Communist China may also be in Cuba. An increase in the number of Bloc personnel should result from the credit agreement signed with Czechoslovakia and from visits of the Nunez Jimenez and Raul Castro missions to the Bloc.

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In the field of trade, Cuba's ties with the Bloc increased rapidly during the last half of 1959 and the first half of 1960. Trade for all of 1959 came to no more than about \$20 million. However, during the last few months of 1959, the Bloc and particularly the USSR, made a number of large sugar purchases for both 1959 and 1960 delivery that began to change dramatically the nature and extent of Cuba's trade with the Bloc. By 13 February, the date of the new Soviet-Cuban trade agreement, the USSR had agreed to purchase 1 million Spanish long tons\* of Cuban sugar for 1960 delivery. This amount was increased in mid-July when the USSR agreed to purchase the 700,000 tons which the United States dropped from its Cuban import quota. In addition, sugar purchases of other Bloc countries for 1960 probably will come to between 500,000 and 700,000\*\* tons. Thus total Bloc purchases for 1960 amount to approximately 2.4 million tons with a total value of nearly \$160 million. The maximum value of Bloc purchases in the past was \$42 million in 1957.

Not all of the Bloc purchases will represent increased exports for Cuba. Cuban sugar exports are regulated by quotas established under the International Sugar Agreement, and therefore exports cannot be increased unless the quotas are enlarged. The International Sugar Council, which administers the Sugar Agreement, has increased the Cuban quota by about 630,000 tons since the first of the year and has also permitted Cuba to sell 700,000 tons to the USSR outside the regular quota. Thus, in effect, Cuba has had a total increase of 1.3 million tons in the size of its quota. This sum is more than a million tons short of its total commitments to export to the Bloc in 1960, and this amount has been diverted from Western markets.

Both the USSR and Communist China, in addition to the large purchase for delivery in 1960, have also made commitments for future sugar purchases. The trade agreement between Cuba and the USSR signed in February calls for the USSR to buy 1 million tons annually from 1961 to 1964. The trade agreement signed with Communist China on 23 July provides that China will purchase 500,000 tons annually over a 5-year period. The Soviet agreement provides that 20 percent of the sugar purchases will be paid for in hard currency, with the remainder paid by the delivery of Soviet commodities. The Chinese agreement has a similar provision covering sales during the first year with sales in subsequent years made on a strictly barter basis. Thus the two agreements indicate not only that large quantities of Cuban sugar will be exported to the Bloc during the next 5 years but also that Cuba will

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\* The Spanish long ton is the conventional unit of measure used in the international sugar market and is equal to 2,271.6 US pounds.

\*\* The exact total of all Bloc purchases has not been determined, because it is not clear exactly how much sugar will be exported to Communist China under the 23 July agreement.

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necessarily be required to import substantial amounts from both the USSR and Communist China.

Implementation of the Soviet treaty began almost immediately. Shipments of sugar to the USSR moved steadily through the first half of the year, and imports from the USSR also began in substantial amounts. Cuba has contracted for at least 900,000 metric tons of Soviet crude oil at a price of \$2.75 per barrel. This \$17.3 million transaction will absorb 58.6 percent of the value of the 425,000 Spanish long tons of sugar that Cuba sold to the USSR under the February agreement and is equivalent to Cuba's oil needs for 100 days. As the small government-owned refinery does not have the capacity to handle this amount of oil, it asked each of the three foreign oil companies to handle 300,000 tons of Soviet crude oil in their refineries. Their refusal led to "intervention" by the Cuban Government of one major refinery by the end of June and of the remaining two in early July. After the government took over operating control of the foreign refineries, Cuba's normal petroleum imports from Western sources came to a complete halt. Following the rupture of normal oil supplies, it seems probable that Cuba concluded additional petroleum purchases from the USSR. Besides petroleum, Cuba is importing fertilizer from the USSR in substantial quantities and has also contracted for the delivery of 20,000 metric tons of Soviet wheat.

Other trade agreements with the Bloc are less extensive than either the Soviet or Chinese Communist accords. In March an East German trade mission signed a 1-year interbank payments agreement with Cuba. Also in March a trade and payments agreement was signed with Poland that is very general in nature and is little more than a framework or preliminary agreement. Neither the East German nor the Polish agreement established specific trade goals but rather makes general provisions for the exchange of Cuban sugar and other agricultural products for machinery and industrial installations. In June, Czechoslovakia also signed a trade and payments agreement of unspecified amount with Cuba. Implementation of these agreements has gone forward rapidly as East Germany contracted for 60,000 Spanish long tons of sugar and Poland agreed to take 150,000 tons. (Some of these sales, however, may not have taken place within the framework of the trade agreements.) Some imports also have been received from all three of these Bloc countries.

Official Cuban statistics on trade with the Bloc, as well as with the rest of the world, have been virtually nonexistent since early 1959. Based on known shipments of sugar to the Bloc and on other exports known to have been made, Cuba's total Bloc exports in 1959 were approximately \$16.5 million, compared with exports to the Bloc of \$17.7 million in 1958, and represent approximately 2.5 percent of

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Cuba's total exports in 1958, the last year for which complete statistics are available. No figures are available concerning Cuba's total trade or its import pattern in 1959, although goods valued at \$700,000 were shipped from the Bloc in the first 6 months. It is probable that imports from the Bloc were not significantly larger in 1959 than the \$2 million level of past years.

The Bloc's influence in Cuban economic affairs, like that in other fields, has grown sharply in the last 6 months. With the impact of the new trade and credit agreements only beginning to be felt, this influence should increase even further during the year as economic deterioration in Cuba and worsening relations with the United States make Cuba more dependent on foreign economic aid.

4. Uruguay

In spite of the existence of extensive diplomatic and trade relations between Uruguay and the Bloc and Uruguay's continued economic problems, Bloc influence in Uruguayan domestic affairs has, if anything, diminished. The five Bloc diplomatic missions in Montevideo (Soviet, Czechoslovak, Polish, Rumanian, and Bulgarian) and the two resident commercial missions (Hungarian and East German) have lent encouragement to the formation of a Communist-dominated central trade union movement and have indicated their opposition to economic reform moves which the Uruguayan Government has undertaken with US support. A severe trade imbalance and the adverse effect on prices of currency devaluation have increased economic discontent in Uruguay, but Bloc efforts to capitalize on these difficulties have not been particularly successful. The Uruguayan Government's failure to accept a Soviet offer to buy for cash \$25 million worth of wool in return for \$16.5 million worth of oil on short-term credit has caused the USSR to withdraw from the Uruguayan wool market, thus considerably decreasing Uruguay's trade with the Bloc in the first half of 1960.

Direct trade with the Bloc in 1959 equaled \$40.8 million, approximately 16 percent of Uruguay's total trade. Direct exports to the Bloc dropped from \$29.4 million in 1958 to \$27.4 million in 1959, a decline which was in line with the almost complete paralysis of Uruguayan wool exports in the last 3 months of 1959. In spite of this decline, exports to the Bloc represented 28 percent of total 1959 exports, including 43.4 percent of the chief export commodity, wool. In 1958 the Bloc took 21 percent of direct exports. Imports from the Bloc rose to 9 percent of total imports, compared with 5 percent in 1958. This advance was achieved chiefly at the expense of Western Europe.

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Preliminary statistics for the first 4 months of 1960 indicate a sizable drop in Soviet Bloc trade. In that period the Bloc accounted for 11 percent of total Uruguayan exports and for 2 percent of its imports. During this period, Communist China purchased \$1.6 million of wool tops, the largest amount for any Bloc country and approximately equal to Communist China's total 1959 purchases from Uruguay. Sales to the USSR were less than \$100,000.

A November 1959 Soviet offer to purchase \$25 million worth of wool from the 1959/60 clip if Uruguay purchased petroleum valued at \$16.5 million was not acted upon by the Uruguayan Government. As a result, the USSR, which in 1959 was the largest purchaser of Uruguayan wool, refrained from entering the 1959/60 wool market. This withdrawal exacerbated the partial paralysis in the market, so that by the end of April 1960 only 46 percent of the current wool clip had been exported, compared with 62 percent at the same time in 1959. In May 1960 the USSR made a new offer to buy for cash \$75 million worth of wool over a 3-year period if Uruguay purchased \$50 million of petroleum products, paying for shipments on terms of 270 to 360 days credit. In addition, the USSR proposed the immediate purchase for convertible currency of low-grade wool valued at \$13 million. Since the bulk of the unsold Uruguayan wool is of this quality, the offer is particularly attractive to many Uruguayans. The government, however, has not made any decision about this new offer. If it is not accepted, then the Soviet absence from the Uruguayan wool market probably would continue. Other Bloc countries have continued to purchase Uruguayan wool, although total Bloc purchases from the 1959/60 wool clip through April amount to only 15.8 percent of Uruguay's wool exports. The USSR may have again entered the Uruguayan market through indirect purchases, as the Netherlands, the major transshipment point for this product, remains a sizable purchaser.

A continuing economic crisis in Uruguay, a weakening of prices in Western markets for the lower grade wool, and internal factors leading to Uruguayan unwillingness to sell wool at current world market prices combine to make the Soviet offers attractive to many Uruguayans. An apparent government desire to avoid accepting the Soviet proposals, however, appears to diminish short-term Uruguayan-Bloc trade prospects. The tendency of Uruguay to seek short-term expedients in place of the long-term solutions has helped the Soviet Bloc to keep one foot in the door.

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Table 8

**Bloc Credits and Grants to Underdeveloped Countries**  
**Extended, Obligated, and Drawn**  
**January 1954 - June 1960**

Recipient Country	Extended				Obligated				Drawn			
	Total	USSR	European Satellites	Communist China	Total	USSR	European Satellites	Communist China	Total	USSR	European Satellites	Communist China
<b>Total</b>	<b>4,053.8</b>	<b>3,045.6</b>	<b>348.7</b>	<b>159.5</b>	<b>2,244.6</b>	<b>2,100.1</b>	<b>710.6</b>	<b>27.9</b>	<b>1,561.4</b>	<b>1,228.3</b>	<b>212.0</b>	<b>32.1</b>
<b>Middle East</b>	<b>1,912.6</b>	<b>1,508.7</b>	<b>302.2</b>	<b>21.7</b>	<b>1,724.6</b>	<b>1,462.7</b>	<b>345.1</b>	<b>17.0</b>	<b>852.1</b>	<b>518.1</b>	<b>267.1</b>	<b>7.0</b>
Afghanistan	252.1	241.9	13.2	0	246.6	233.4	13.2	0	106.7	95.4	11.3	0
Iran	5.1	0	5.1	0	5.1	0	5.1	0	2.5	0	2.5	0
Iraq	300.5	300.5	0	0	163.0	163.0	0	0	118.0	118.0	0	0
Pakistan	3.2	3.2	0	0	3.2	3.2	0	0	3.2	3.2	0	0
Turkey	17.1	9.6	7.5	0	17.1	9.6	7.5	0	10.9	12.4	17.5	0
UAR -- Egypt	965.6	585.6	275.3	4.7	925.5	685.6	233.2	4.7	405.2	174.6	225.9	4.7
UAR -- Syria	304.3	242.2	62.1	0	304.3	242.2	62.1	0	178.6	116.7	61.9	0
Yemen	60.7	25.7	18.0	17.0	56.0	25.7	18.0	12.3	28.0	5.7	18.0	4.3
<b>Africa</b>	<b>159.8</b>	<b>137.0</b>	<b>21.3</b>	<b>1.5</b>	<b>89.4</b>	<b>79.0</b>	<b>8.9</b>	<b>1.5</b>	<b>6.2</b>	<b>2.2</b>	<b>3.2</b>	<b>0.8</b>
Ethiopia	113.6	101.8	11.8	0	48.2	43.8	4.4	0	3.3	2.0	1.8	0
Ghana	3.1	0	3.1	0	3.1	0	3.1	0	0	0	0	0
Guinea	43.1	35.2	6.4	1.5	38.1	35.2	1.4	1.5	2.4	0.2	1.4	0.8
<b>Asia</b>	<b>1,638.5</b>	<b>1,123.9</b>	<b>378.3</b>	<b>136.3</b>	<b>1,275.5</b>	<b>859.4</b>	<b>338.7</b>	<b>77.4</b>	<b>474.5</b>	<b>196.7</b>	<b>204.8</b>	<b>73.0</b>
Burma	12.0	12.0	0	0	12.0	12.0	0	0	11.0	11.0	0	0
Cambodia	34.7	6.0	0.7	28.0	29.1	6.0	0.7	22.4	23.7	5.0	0.7	16.0
Ceylon	58.0	30.0	1.7	26.3	27.4	23.3	1.7	2.4	4.6	3.5	1.7	2.4
India	807.7	684.2	123.5	0	777.7	684.2	93.5	0	150.9	139.3	11.6	0
Indonesia	685.0	384.2	252.4	48.4	417.6	126.4	242.8	48.4	280.1	40.9	190.8	48.4
Nepal	41.1	7.5	0	33.6	11.7	7.5	0	4.2	4.2	0	0	4.2
<b>Europe</b>	<b>115.7</b>	<b>76.0</b>	<b>39.7</b>	<b>0</b>	<b>115.7</b>	<b>76.0</b>	<b>39.7</b>	<b>0</b>	<b>11.3</b>	<b>74.6</b>	<b>32.1</b>	<b>0</b>
Iceland	4.6	3.1	1.5	0	4.6	3.1	1.5	0	3.2	1.7	1.5	0
Yugoslavia	111.1	72.9	28.2	0	111.1	72.9	38.2	0	11.1	72.9	30.6	0
<b>Latin America</b>	<b>227.2</b>	<b>200.0</b>	<b>27.2</b>	<b>0</b>	<b>39.2</b>	<b>32.0</b>	<b>7.2</b>	<b>0</b>	<b>15.1</b>	<b>10.3</b>	<b>4.8</b>	<b>0</b>
Argentina	103.7	100.0	3.7	0	35.7	32.0	3.7	0	11.6	10.3	1.3	0
Brazil	3.5	3.5	0	0	3.5	3.5	0	0	3.5	3.5	0	0
Cuba	120.0	100.0	20.0	0	0	0	0	0	0	0	0	0

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Table 9

Block Economic and Military Credits and Grants  
Extended to Underdeveloped Countries  
by Recipient Area and Country  
January 1954 - June 1960

Million Current US \$			
<u>Area and Country</u>	<u>Total</u>	<u>Economic</u>	<u>Military</u>
Total	<u>4,053.8</u>	<u>3,231.3</u>	<u>822.5</u>
<u>Middle East</u>	<u>1,912.6</u>	<u>1,296.5</u>	<u>616.1</u>
Afghanistan	255.1	216.7	38.4
Iran	6.1	6.1	0
Iraq	300.5	182.5	118.0
Pakistan	3.2	3.2	0
Turkey	17.1	17.1	0
UAR -- Egypt	965.6	650.6	315.0
UAR -- Syria	304.3	176.6	127.7
Yemen	60.7	43.7	17.0
<u>Africa</u>	<u>159.8</u>	<u>159.3</u>	<u>0.5</u>
Ethiopia	113.6	113.6	0
Ghana	3.1	3.1	0
Guinea	43.1	42.6	0.5

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Table 9  
(Continued)

Million Current US \$			
<u>Area and Country</u>	<u>Total</u>	<u>Economic</u>	<u>Military</u>
<u>Asia</u>	<u>1,638.5</u>	<u>1,432.6</u>	<u>205.9</u>
Burma	12.0	12.0	0
Cambodia	34.7	34.7	0
Ceylon	58.0	58.0	0
India	807.7	807.7	0
Indonesia	685.0	479.1	205.9
Nepal	41.1	41.1	0
<u>Europe</u>	<u>115.7</u>	<u>115.7</u>	<u>0</u>
Iceland	4.6	4.6	0
Yugoslavia	111.1	111.1	0
<u>Latin America</u>	<u>227.2</u>	<u>227.2</u>	<u>0</u>
Argentina	103.7	103.7	0
Brazil	3.5	3.5	0
Cuba	120.0	120.0	0

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Table 10

Bloc Economic and Military Credits and Grants to Underdeveloped Countries  
Extended and Drawn, by Year  
January 1954 - June 1960

Million Current US \$						
Year	Extensions			Drawings		
	Total	Economic	Military	Total	Economic	Military
Total	<u>4,053.8</u>	<u>3,231.3</u>	<u>822.5</u>	<u>1,462.2</u>	<u>653.1</u>	<u>809.1</u>
1960 (Jan-Jun)	785.7	785.7	0	135.1	89.0	46.1
1959	901.0	889.0	12.0	409.7	167.8	241.9
1958	1,017.1	561.7	455.4	373.0	204.6	168.4
1957	279.8	226.8	53.0	166.2	81.2	85.0
1956	710.1	608.0 a/	102.1	364.9	107.2	257.7
1955	349.3	149.3	200.0	13.3	3.3	10.0
1954	10.8	10.8	0	0	0	0

a. Excluding about \$350 million in credit extended to Yugoslavia and subsequently either canceled or allowed to expire.

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Table 11

Terms of Major Soviet Lines of Credit Extended to Underdeveloped Countries  
January 1954 - June 1960

Recipient Country	Date Established	Currency Unit in Which Denominated	Definition of Currency Unit in Which Denominated	Value (Million Current US \$)	Date Drawing Began	Date Line of Credit Expires	Interest Rate (Percent)	Amortization Period	Form of Repayment
India	Feb 1955	Rupee	0.186621 grams of gold per rupee	115.5	Jan-Jun 1956	Not specified	2.5	12 years beginning 1 year after drawing	Goods or convertible currency
Afghanistan	Jan 1956	US dollar	Unknown	100.0	Mar 1956	Unknown	2.0	22 years beginning 8 years after drawing	Goods
Indonesia	Sep 1956 <sup>a</sup>	US dollar	Not defined	100.0	Spring 1958	Sep 1964	2.5	12 years beginning 3 years after drawing	Goods, transferable pounds sterling, or other convertible currency agreed on
India	Nov 1956 <sup>b</sup>	Rupee	Unknown	126.0	Jan-Dec 1959	Unknown	2.5	12 years beginning 1 year after drawing	Goods or convertible currency
UAR -- Syria	Oct 1957	Ruble	0.222168 grams of gold per ruble	150.0	Apr 1958	Oct 1964	2.5	12 years	Goods and/or convertible currency
UAR -- Egypt	Jan 1958	Ruble	0.222168 grams of gold per ruble	175.0	May-Nov 1958	Jan 1962	2.5	12 years	Cotton, agricultural commodities, and/or convertible currency
Argentina	Oct 1958	US dollar	\$35 per ounce of gold	100.0	Dec 1959	Oct 1961	2.5	10 years	US dollars credited to the Soviet account with the Argentine Central Bank
UAR -- Egypt	Dec 1958	Ruble	0.222168 grams of gold per ruble	100.0	Mar-Jun 1959	Not specified	2.5	12 years beginning in 1964	Egyptian pounds credited to the Soviet account with the Central Bank of the UAR for the purchase of Egyptian goods
Iraq	Mar 1959	Ruble	0.222168 grams of gold per ruble	137.5	Apr 1959	Mar 1966	2.5	12 years	Convertible Iraqi dinars credited to the Soviet account with the Central Bank of Iraq
India	Jul 1959	Ruble	0.222168 grams of gold per ruble	375.0	None to date	Not specified	2.5	12 years beginning 1 year after drawing	Goods or convertible currency
Ethiopia	Jul 1959	Ruble	Unknown	100.0	Jun 1960	Jul 1969	2.5	17 years, but flexible	Goods or convertible currency
Indonesia	Feb 1960	US dollar	Not defined	250.0	None to date	Jul 1967	2.5	12 years beginning 1 year after drawing	Goods, pounds sterling, or other convertible currency
UAR -- Egypt	Feb 1960	Ruble	0.222168 grams of gold per ruble	287.0	None to date	Not specified	2.5	12 years beginning 1 year after completion of construction	Egyptian pounds credited to the Soviet account with the Central Bank of the UAR for the purchase of Egyptian goods
Cuba	Feb 1960	US dollar	0.066667 grams of gold per dollar	100.0	None to date except perhaps for technicians	Feb 1965	2.5	12 years	Sugar and other Cuban goods. Special accounts in Cuba and the USSR to be kept in dollars.

<sup>a</sup>. Credit was not ratified by Indonesian Parliament until 1958.

<sup>b</sup>. Repayment of the loan to the UAR for the construction of the Dam at Aswan was begun in 1960.

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Table 12

Bloc Economic Technicians in Underdeveloped Countries a/  
January-June 1960

Area and Country	Persons			
	Total Bloc	USSR	European Satellites <u>b/</u>	Communist China
Total	<u>5,680</u>	<u>3,690</u>	<u>1,020</u>	<u>970</u>
Middle East	<u>3,795</u>	<u>2,415</u>	<u>680</u>	<u>700</u>
Afghanistan	1,140	1,025	115	0
Iran	30	5	25	0
Iraq	425	295	130	0
Pakistan	5	0	5	0
Turkey	105	15	90	0
UAR -- Egypt	485	375	110	0
UAR -- Syria	475	300	175	0
Yemen	1,130 <u>c/</u>	400	30	700 <u>c/</u>
Africa	<u>195</u>	<u>50</u>	<u>80</u>	<u>65</u>
Ethiopia	25	20	5	0
Ghana	5	5	d/	0
Guinea	165	25	75	65
Libya	d/	0	d/	0
Morocco	d/	0	0	d/
Asia	<u>1,565</u>	<u>1,175</u>	<u>185</u>	<u>205</u>
Burma	50	45	5	0
Cambodia	210	20	d/	190
Ceylon	40	10	30	0
India	1,100	1,000	100	0
Indonesia	125	75	50	0
Nepal	40	25	0	15
Latin America	<u>115</u>	<u>40</u>	<u>75</u>	<u>0</u>
Argentina	45	0	45	0
Brazil	25	5	20	0
Chile	5	0	5	0
Cuba	40	35	5	0
Europe	<u>10</u>	<u>10</u>	<u>0</u>	<u>0</u>
Yugoslavia	10	10	0	0

a. Minimum estimates of personnel present for a period of 1 month or more. Personnel engaged solely in commercial or military activities are excluded. Numbers are rounded to the nearest five.

b. Including Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania.

c. Including technicians and laborers.

d. A few specialists are believed to have been present. They are not included in sub-totals or the total.

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Table 13

Military Personnel from Underdeveloped Countries Trained in the Bloc a/  
January 1955 - June 1960

			Persons
<u>Country Sending Trainees</u>	<u>Total Bloc</u>	<u>USSR</u>	<u>European Satellites <u>b/</u></u>
Total	<u>4,220</u>	<u>1,715</u>	<u>2,505</u>
Afghanistan	520	520	0
Guinea	60	40	20
Indonesia	1,510	10	1,500
Iraq	280	235	45
UAR -- Egypt	1,325	515	810
UAR -- Syria	525	395	130

a. Numbers are rounded to the nearest five.

b. Including Poland, Czechoslovakia, Bulgaria, and East Germany.

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Table 14

Academic Students from Underdeveloped Countries Trained in the Bloc a/  
January 1956 - June 1960

				Persons
<u>Area and Country</u>	<u>Total Bloc</u>	<u>USSR</u>	<u>European Satellites</u>	<u>Communist China</u>
Total	<u>2,770</u>	<u>1,415</u>	<u>1,250</u>	<u>105</u>
<u>Middle East</u>	<u>1,635</u>	<u>980</u>	<u>635</u>	<u>20</u>
Afghanistan	25	15	10	0
Greece	30	0	30	0
Iraq	610	400	190	20
UAR	925	530	395	0
Yemen	45	35	10	0
<u>Africa</u>	<u>450</u>	<u>170</u>	<u>280</u>	<u>0</u>
Ethiopia	15	5	10	0
Ghana	65	15	50	0
Guinea	180	100	80	0
Sudan	190	50	140	0

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Table 14  
(Continued)

				Persons
<u>Area and Country</u>	<u>Total Bloc</u>	<u>USSR</u>	<u>European Satellites</u>	<u>Communist China</u>
<u>Asia</u>	<u>540</u>	<u>245</u>	<u>210</u>	<u>85</u>
Burma	40	30	10	0
Ceylon	15	5	10	0
India	115	50	60	5
Indonesia	355	150	130	75
Other	15	10	0	5
<u>Latin America</u>	<u>145</u>	<u>20</u>	<u>125</u>	<u>0</u>
Bolivia	50	0	50	0
Chile	10	0	10	0
Colombia	30	0	30	0
Mexico	25	0	25	0
Other	30	20	10	0

a. Numbers are rounded to the nearest five.

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Table 15

Technical Students from Underdeveloped Countries Trained in the Bloc  
January 1956 - June 1960

				Persons
<u>Area and Country</u>	<u>Total Bloc</u>	<u>USSR</u>	<u>European Satellites</u>	<u>Communist China</u>
Total	<u>2,390</u>	<u>1,405</u>	<u>735</u>	<u>250</u>
<u>Middle East</u>	<u>1,115</u>	<u>385</u>	<u>655</u>	<u>75</u>
Afghanistan	45	40	5	0
Iran	5	0	5	0
Iraq	365	195	170	0
Turkey	50	50	0	0
UAR	575	100	475	0
Yemen	75	0	0	75
<u>Asia</u>	<u>1,265</u>	<u>1,020</u>	<u>70</u>	<u>175</u>
Cambodia	175	0	0	175
India	1,050	1,005	45	0
Indonesia	25	0	25	0
Nepal	15	15	0	0
<u>Latin America</u>	<u>10</u>	<u>0</u>	<u>10</u>	<u>0</u>
Brazil	10	0	0	0

a. Numbers are rounded to the nearest five.

b. Including Czechoslovakia, East Germany, Poland, Hungary, and Rumania.

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Table 16

Bloc Trade with Selected Underdeveloped Countries a/  
1954-59

Million Current US \$															
Year	Total Trade			Europe			Middle East and Africa			Asia			Latin America		
	Total	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports
1954	870	402	468	43	18	25	367	160	207	206	113	93	254	112	143
1955	1,242	584	658	109	52	57	513	240	273	285	138	146	335	153	182
1956	1,496	739	757	238	135	103	571	278	293	434	245	189	240	130	109
1957	1,794	877	917	316	180	135	820	390	429	464	235	229	195	71	124
1958	2,237	1,174	1,063	409	243	166	958	495	463	602	327	275	268	108	160
1959	2,266	1,085	1,181	424	226	198	873	451	422	684	282	403	285	127	158
1958															
Jan-Jun	1,033	539	494	194	123	71	467	222	245	242	143	99	131	51	79
Jul-Dec	1,204	635	569	215	120	94	492	274	218	360	184	176	138	57	81
1959															
Jan-Jun	1,082	540	543	197	113	84	440	210	231	304	138	167	140	79	61
Jul-Dec	1,184	546	639	226	112	114	433	241	192	380	144	236	145	48	97

a. All values have been rounded to the nearest \$1 million. Totals are derived from unrounded data and may not agree with the sums of the rounded components.

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Table 17

Bloc Exports to Selected Underdeveloped Countries a/  
1958 and 1959

Million Current US \$								
Area and Country	Total Bloc		USSR		European Satellites		Communist China <u>b/</u>	
	1958	1959 <u>c/</u>	1958	1959 <u>c/</u>	1958	1959 <u>c/</u>	1958	1959 <u>c/</u>
Total	<u>1,173.9</u>	<u>1,085.2</u>	<u>382.9</u>	<u>342.9</u>	<u>555.6</u>	<u>524.1</u>	<u>235.4</u>	<u>218.1</u>
Middle East	<u>455.6</u>	<u>399.8</u>	<u>170.2</u>	<u>163.0</u>	<u>246.6</u>	<u>202.9</u>	<u>38.9</u>	<u>33.9</u>
Afghanistan	27.3	32.5	23.0	28.0	3.8	4.0	0.5	0.5
Greece	39.7	42.2	14.3	16.0	25.4	25.9	0.1	0.3
Iran	37.7	36.6	26.3	22.5	11.5	14.1	--	--
Iraq	6.0	18.2	<u>d/</u>	4.0	5.8	10.7	0.2	3.5
Israel	7.8	6.2	0.6	0.3	7.2	5.8	<u>d/</u>	<u>d/</u>
Jordan	7.5	2.5	0.2	--	6.9	2.5	0.4	--
Kuwait	5.5	--	1.1	--	3.3	--	1.1	--
Lebanon	6.5	7.8	1.2	1.6	5.3	6.3	--	--
Pakistan	16.1	7.9	2.0	0.8	3.7	2.9	10.3	4.2
Turkey	57.3	42.4	6.9	6.6	50.3	35.8	--	--
UAR -- Egypt	219.5	183.6	90.9	77.1	103.5	82.6	25.1	23.9
UAR -- Syria	24.7	19.9	3.7	6.1	19.9	12.3	1.2	1.5

\* Footnotes for Table 17 follow on p. 93.

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Table 17

Bloc Exports to Selected Underdeveloped Countries a/  
 1958 and 1959  
 (Continued)

Area and Country	Million Current US \$							
	Total Bloc		USSR		European Satellites		Communist China <u>b/</u>	
	1958	1959 <u>c/</u>	1958	1959 <u>c/</u>	1958	1959 <u>c/</u>	1958	1959 <u>c/</u>
<u>Africa</u>	<u>39.6</u>	<u>51.2</u>	<u>2.3</u>	<u>7.4</u>	<u>18.6</u>	<u>29.7</u>	<u>18.7</u>	<u>14.2</u>
Ghana	6.8	10.2	d/	d/	6.1	8.0	0.7	2.2
Guinea	--	9.0	--	1.0	--	8.0	--	--
Morocco	22.2	15.4	1.2	2.5	5.0	4.9	16.0	8.0
Sudan	8.0	12.4	0.5	2.9	5.9	7.0	1.5	2.6
Tunisia	2.6	4.2	0.6	1.0	1.6	1.8	0.5	1.4
<u>Asia</u>	<u>327.3</u>	<u>281.6</u>	<u>108.4</u>	<u>62.7</u>	<u>45.1</u>	<u>53.7</u>	<u>173.8</u>	<u>165.2</u>
Burma	31.3	25.4	4.1	3.9	10.6	5.1	16.6	16.4
Cambodia	5.4	6.2	0.2	1.1	0.4	0.8	4.7	4.3
Ceylon	33.8	36.4	0.2	0.5	1.8	4.4	31.9	31.5
India	137.4	97.0	100.9	53.1	23.0	31.2	13.5	12.8
Indonesia	47.3	57.7	1.5	2.7	2.9	5.8	43.0	49.1
Laos	0.2	--	--	--	d/	--	0.2	--
Malaya	68.8	55.8	0.3	0.7	4.5	4.0	63.9	51.1
Philippines	--	d/	--	--	--	--	--	d/
Thailand	3.1	3.1	1.2	0.7	1.9	2.4	d/	--
Vietnam	--	--	--	--	--	--	--	--

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Table 17

Bloc Exports to Selected Underdeveloped Countries a/  
1958 and 1959  
(Continued)

Million Current US \$

Area and Country	Total Bloc		USSR		European Satellites		Communist China <u>b/</u>	
	1958	1959 <u>c/</u>	1958	1959 <u>c/</u>	1958	1959 <u>c/</u>	1958	1959 <u>c/</u>
<u>Europe</u>	<u>243.1</u>	<u>225.5</u>	<u>77.6</u>	<u>79.7</u>	<u>163.5</u>	<u>142.6</u>	<u>2.0</u>	<u>3.2</u>
Iceland	27.7	29.1	15.0	15.2	12.7	13.8	d/	d/
Portugal	3.2	4.7	0.8	1.7	2.2	2.8	0.2	0.2
Spain	17.1	19.5	4.0	5.1	12.7	13.9	0.3	0.4
Yugoslavia	195.1	172.3	57.8	57.6	135.9	112.1	1.4	2.6
<u>Latin America</u>	<u>108.3</u>	<u>127.0</u>	<u>24.4</u>	<u>30.1</u>	<u>81.8</u>	<u>95.2</u>	<u>2.0</u>	<u>1.6</u>
Argentina	55.8	49.1	17.9	21.9	38.0	27.2	d/	d/
Brazil	29.0	49.3	--	1.3	29.0	47.9	d/	0.1
Chile	2.3	1.1	0.1	--	0.8	0.4	1.4	0.7
Colombia	1.0	2.6	--	d/	1.0	2.5	--	0.1
Cuba	2.0	1.4	d/	d/	2.0	1.4	d/	d/
Ecuador	0.1	--	--	--	0.1	--	--	--
Mexico	2.3	2.4	0.4	0.5	1.6	1.5	0.3	0.5
Paraguay	--	--	--	--	--	--	--	--
Peru	0.9	0.8	d/	d/	0.9	0.8	d/	d/
Uruguay	10.3	13.4	6.0	6.4	4.3	7.0	d/	d/
Venezuela	4.5	6.8	0.1	d/	4.3	6.5	0.2	0.3

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Table 17

Bloc Exports to Selected Underdeveloped Countries a/  
1958 and 1959  
(Continued)

a. These data are based on official trade statistics of the Free World countries involved (with the exception of Afghanistan, Burma, India, Thailand, and Uruguay) -- that is, the Bloc exports indicated are the Free World trading partners' reported imports. All values have been rounded to the nearest \$100,000. A dash (--) entry indicates that no figure for trade is known, although some trade may have taken place. Totals are derived from unrounded data and may not agree with the sums of the rounded components.

b. The figures for Communist China include the following exports:

Country	Current US \$			
	From North Vietnam		From Mongolia	From North Korea
	1958	1959	1959	1959
Yugoslavia			0.1 million	
India	2.4 million	Less than 50,000		1.1 million
Indonesia	1.2 million			
Cambodia and Laos	Less than 50,000	Less than 50,000		Less than 50,000
UAR -- Egypt		0.1 million		0.1 million

c. Trade figures for January-December 1959 are at a 12-month rate for the following: Venezuela for January-May; Iran, Lebanon, and Chile for January-June; and Jordan for January-September.

d. Less than \$50,000.

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Table 18

Bloc Imports from Selected Underdeveloped Countries a/\*  
1958 and 1959

Million Current US \$

Area and Country	Total Bloc		USSR		European Satellites		Communist China b/	
	1958	1959 c/	1958	1959 c/	1958	1959 c/	1958	1959 c/
<u>Total</u>	<u>1,063.2</u>	<u>1,181.3</u>	<u>385.8</u>	<u>465.0</u>	<u>493.6</u>	<u>529.3</u>	<u>184.0</u>	<u>186.7</u>
<u>Middle East</u>	<u>436.2</u>	<u>377.7</u>	<u>177.1</u>	<u>135.3</u>	<u>209.4</u>	<u>203.4</u>	<u>49.8</u>	<u>38.9</u>
Afghanistan	16.2	20.0	13.0	16.0	2.7	3.5	0.5	0.5
Greece	37.6	33.6	16.8	11.8	20.8	21.8	0.1	d/
Iran	30.8	17.4	25.5	10.7	5.3	6.7	--	--
Iraq	d/	6.1	d/	2.5	d/	1.7	d/	1.9
Israel	6.7	5.2	d/	0.1	6.7	5.1	d/	d/
Jordan	0.9	0.9	--	--	0.9	0.9	--	--
Lebanon	2.5	0.7	1.4	0.2	1.1	0.5	--	--
Pakistan	21.2	10.9	6.6	3.5	7.1	6.7	7.6	0.7
Turkey	62.6	41.0	13.1	4.8	49.5	36.2	--	--
UAR -- Egypt	220.8	229.6	82.1	81.4	103.8	112.5	34.9	35.7
UAR -- Syria	36.9	12.3	18.6	4.3	11.5	7.8	6.7	0.1

\* Footnotes for Table 18 follow on p. 97.

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Table 18

Bloc Imports from Selected Underdeveloped Countries <sup>a/</sup>  
1958 and 1959  
(Continued)

Million Current US \$								
Area and Country	Total Bloc		USSR		European Satellites		Communist China <sup>b/</sup>	
	1958	1959 <sup>c/</sup>	1958	1959 <sup>c/</sup>	1958	1959 <sup>c/</sup>	1958	1959 <sup>c/</sup>
<u>Africa</u>	<u>26.9</u>	<u>44.7</u>	<u>3.3</u>	<u>12.6</u>	<u>18.4</u>	<u>21.7</u>	<u>5.2</u>	<u>10.2</u>
Ghana	1.1	6.2	1.1	5.5	d/	0.7	--	--
Guinea	--	5.2	--	0.5	--	4.7	--	--
Morocco	13.9	14.5	1.5	1.3	9.3	6.6	3.1	6.5
Sudan	9.1	14.1	d/	4.3	7.0	6.8	2.1	2.9
Tunisia	2.8	4.7	0.7	1.0	2.1	2.9	--	0.8
<u>Asia</u>	<u>274.7</u>	<u>402.8</u>	<u>108.0</u>	<u>204.5</u>	<u>55.1</u>	<u>68.6</u>	<u>111.5</u>	<u>129.7</u>
Burma	8.8	3.0	d/	1.0	5.8	1.6	3.0	0.4
Cambodia	0.2	2.5	--	--	0.2	1.1	--	1.4
Ceylon	21.5	23.7	4.2	6.4	1.0	0.9	16.3	16.4
India	71.0	110.4	49.0	63.7	14.3	28.0	7.7	18.7
Indonesia	54.1	72.3	10.0	15.5	0.7	3.7	43.4	53.1
Laos	--	--	--	--	--	--	--	--
Malaya	115.9	188.5	44.8	115.8	33.0	33.0	38.0	39.7
Philippines	--	--	--	--	--	--	--	--
Thailand	3.2	2.4	d/	2.1	0.1	0.3	3.1	0
Vietnam	--	--	--	--	--	--	--	--

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Table 18

Bloc Imports from Selected Underdeveloped Countries a/  
1958 and 1959  
(Continued)

Million Current US \$

<u>Area and Country</u>	<u>Total Bloc</u>		<u>USSR</u>		<u>European Satellites</u>		<u>Communist China c/</u>	
	<u>1958</u>	<u>1959 c/</u>	<u>1958</u>	<u>1959 c/</u>	<u>1958</u>	<u>1959 c/</u>	<u>1958</u>	<u>1959 c/</u>
<u>Europe</u>	<u>165.5</u>	<u>198.4</u>	<u>49.7</u>	<u>64.9</u>	<u>110.8</u>	<u>130.3</u>	<u>5.0</u>	<u>3.2</u>
Iceland	22.9	21.9	10.8	11.9	12.1	10.0	--	--
Portugal	5.2	6.7	1.9	1.6	3.1	4.5	0.2	0.6
Spain	10.1	21.0	0.7	4.2	9.2	15.7	0.2	1.1
Yugoslavia	127.3	148.8	36.3	47.2	86.4	100.1	4.6	1.5
<u>Latin America</u>	<u>160.0</u>	<u>157.7</u>	<u>47.7</u>	<u>47.7</u>	<u>99.9</u>	<u>105.3</u>	<u>12.5</u>	<u>4.7</u>
Argentina	63.6	54.1	15.5	19.3	48.0	34.5	0.1	0.4
Brazil	45.8	55.3	--	3.7	38.3	51.6	7.5	d/
Chile	0.3	--	--	--	0.3	--	--	--
Colombia	1.9	2.7	1.8	--	0.1	2.7	--	--
Cuba	17.7	16.5	14.1	16.3	d/	0.1	3.6	0.1
Ecuador	0.2	--	--	--	0.2	--	--	--
Mexico	0.6	1.6	d/	d/	0.3	d/	0.3	1.5
Paraguay	--	--	--	--	--	--	--	--
Peru	0.6	0.1	0.1	--	0.6	0.1	d/	--
Uruguay	29.4	27.4	16.3	8.4	12.1	16.2	1.0	2.8
Venezuela	--	--	--	--	--	--	--	--

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Table 18

Bloc Imports from Selected Underdeveloped Countries a/  
1958 and 1959  
(Continued)

a. These data are based on official trade statistics of the Free World countries involved (with the exception of Afghanistan, Burma, India, Thailand, and Uruguay) -- that is, the Bloc imports indicated are the Free World trading partners' reported exports. All values have been rounded to the nearest \$100,000. A dash (--) entry indicates that no figure for trade is known, although some trade may have taken place. Totals are derived from unrounded data and may not agree with the sums of the rounded components.

b. The figures for Communist China include the following imports:

Origin	Current US \$			
	To North Vietnam		To Mongolia	To North Korea
	1958	1959	1959	1959
Yugoslavia			100,000	
India	500,000	600,000		400,000
UAR -- Egypt				300,000

c. Trade figures for January-December 1959 are at a 12-month rate for the following: Iran and Lebanon for January-June, Cuba for January-August, and Jordan for January-September.

d. Less than \$50,000.

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Table 19

Number of Trade and Payments Agreements Between Bloc and Underdeveloped Countries a/\*  
December 1958 - June 1960

Area and Country	Estimated Number as of 30 June 1960		Estimated Number as of 31 December 1959	Estimated Number as of 30 June 1959	Estimated Number as of 31 December 1958
	Number	Increase over Number as of 31 December 1959			
Total	<u>196</u>	<u>0</u>	<u>196</u> b/	<u>186</u> b/	<u>174</u> b/
<u>Middle East</u>	<u>73</u>	<u>-2</u>	<u>75</u>	<u>71</u>	<u>66</u>
Afghanistan	4	0	4	4	4
Greece	7	0	7	7	7
Iran	4	0	4	4	4
Iraq	11	0	11	8	3
Israel	4	0	4	4	4
Lebanon	6	-2	8	7	7
Pakistan	4	0	4	4	4
Turkey	7	0	7	7	7
UAR -- Egypt	11	0	11	11	11
UAR -- Syria	9	0	9	9	9
Yemen	6	0	6	6	6

\* Footnotes for Table 19 follow on p. 100.

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Table 19

Number of Trade and Payments Agreements Between Bloc and Underdeveloped Countries a/  
December 1958 - June 1960  
(Continued)

Area and Country	Estimated Number as of				
	30 June 1960				
	Number	Increase over Number as of 31 December 1959	Estimated Number as of 31 December 1959	Estimated Number as of 30 June 1959	Estimated Number as of 31 December 1958
<u>Africa</u>	<u>28</u>	<u>+1</u>	<u>27</u>	<u>26</u>	<u>22</u>
Ethiopia	2	0	2	1	1
Guinea	5	0	5	5	2
Morocco	7	0	7	7	7
Sudan	7	0	7	7	6
Tunisia	7	+1	6	6	6
<u>Asia</u>	<u>40</u>	<u>-2</u>	<u>42</u>	<u>41</u>	<u>39</u>
Burma	8	-1	9	8	8
Cambodia	5	0	5	5	5
Ceylon	7	0	7	7	7
India	10	-1	11	11	10
Indonesia	10	0	10	10	9
Nepal	0	0 c/	0 c/	0 c/	0 c/

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Table 19

Number of Trade and Payments Agreements Between Bloc and Underdeveloped Countries a/  
December 1958 - June 1960  
(Continued)

Area and Country	Estimated Number as of 30 June 1960				
	Number	Increase over Number as of 31 December 1959	Estimated Number as of 31 December 1959	Estimated Number as of 30 June 1959	Estimated Number as of 31 December 1958
<u>Europe</u>	<u>26</u>	<u>0</u>	<u>26</u>	<u>25</u>	<u>25</u>
Iceland	6	0	6	6	6
Portugal	4	0	4	4	4
Spain	6	0	6	5	5
Yugoslavia	10	0	10	10	10
<u>Latin America</u>	<u>29</u>	<u>+3</u>	<u>26</u>	<u>23</u>	<u>22</u>
Argentina	6	-1	7	7	7
Brazil	6	0	6	5	5
Colombia	5	0	5	3	2
Cuba	4	+4	0	0	0
Mexico	1	0	1	1	1
Uruguay	7	0	7	7	7

a. Including agreements known to be in force, agreements which are assumed to have been tacitly renewed, and newly signed agreements of uncertain date of entry into force. Agreements include government-to-government agreements as well as nongovernmental agreements; the latter are listed only when they assume the practical characteristics of a government-to-government agreement. Barter agreements and contracts are not included.

b. Totals have been corrected.

c. Subsequent information indicates that the Communist China - Nepal agreement reported previously is not a trade agreement.

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Table 20

Types of Trade and Payments Agreements Between Bloc and Underdeveloped Countries  
as of June 1960 a/\*

Area and Country	Albania	Bulgaria	Czecho-slovakia	East Germany	Hungary	Poland	Rumania	USSR	Communist China	Mongolia	North Korea	North Vietnam
<u>Middle East</u>												
Afghanistan	.	.	TP	.	.	TP	.	TP	TP	.	.	.
Greece	.	TP	TP	TP	TP	TP	TP	TP	.	.	.	.
Iran	.	.	TP	.	TP	TP	.	TP	.	.	.	.
Iraq	T	T	T	T	T	T	T	T	T	.	T	T
Israel	.	TP	.	.	TP	TP	TP	.	.	.	.	.
Lebanon	.	T	TP	TP	. b/	TP	TP	TP	. c/	.	.	.
Pakistan	.	.	T	.	T	T	.	T	.	.	.	.
Turkey	.	TP	TP	TP	TP	TP	TP	TP	.	.	.	.
UAR -- Egypt	.	TP	TP	TP	TP	TP	TP	TP	TP	TP	TP	TP
UAR -- Syria	TP	T	TP	TP	TP	TP	TP	TP	TP	.	.	.
Yemen	.	.	T	TP	.	T	T	T	TP	.	.	.
<u>Africa</u>												
Ethiopia	.	.	T	.	.	.	.	T	.	.	.	.
Guinea	.	.	TP	TP	T	TP	.	TP	.	.	.	.
Morocco	.	T	TP	T	T	T	.	TP	T	.	.	.
Sudan	.	T	P	P	TP	P	.	T	T	.	.	.
Tunisia	.	T	TP	TP	T	TP	.	TP	TP	.	.	.
<u>Asia</u>												
Burma	.	T	. c/	T	T	T	T	T	T	.	T	.
Cambodia	.	.	TP	.	.	TP	.	TP	TP	.	.	TP
Ceylon	.	TP	TP	.	TP	TP	TP	TP	TP	.	.	.
India	.	TP	TP	TP	TP	TP	TP	TP	. d/	T	T	T
Indonesia	.	T	TP	T	T	TP	TP	TP	TP	.	T	T
Nepal	.	.	.	.	.	.	.	.	. e/	.	.	.

\* Footnotes for Table 20 follow on p. 102. Symbols used in this table have the following meanings: .+ new agreement since 23 December 1959; TP, trade and payments agreement; T, trade agreement only; P, payments agreement only.

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Table 20

Types of Trade and Payments Agreements Between Bloc and Underdeveloped Countries  
as of June 1960 <sup>a/</sup>  
(Continued)

Area and Country	Albania	Bulgaria	Czecho- slovakia	East Germany	Hungary	Poland	Romania	USSR	Communist China	Mongolia	North Korea	North Vietnam
<u>Europe</u>												
Iceland	.	.	TP	TP	TP	TP	TP	TP	.	.	.	.
Portugal	.	.	P	P	P	P	.	.	.	.	.	.
Spain	.	P	P	.	P	P	P	T	.	.	.	.
Yugoslavia	TP	TP	TP	TP	TP	TP	TP	TP	TP	TP	.	.
<u>Latin America</u>												
Argentina	.	T	TP	. <sup>c/</sup>	T	T	T	TP	.	.	.	.
Brazil	.	.	TP	P	P	TP	P	TP	.	.	.	.
Colombia	.	.	T	T	T	.	T	T	.	.	.	.
Cuba	.	.	TP+	P+	.	TP+	.	TP+	.	.	.	.
Mexico	.	.	TP	.	.	.	.	.	.	.	.	.
Uruguay	.	P	TP	P	P	P	TP	P	.	.	.	.

a. Including agreements known to be in force, agreements which are assumed to have been tacitly renewed, and newly signed agreements of uncertain date of entry into force. Agreements include government-to-government agreements as well as nongovernmental agreements; the latter are listed only when they assume the practical characteristics of a government-to-government agreement. Barter agreements and contracts are not included.

b. Agreement was allowed to lapse.

c. Agreement was terminated.

d. Subsequent information indicates that this agreement is not a trade agreement.

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Table 21

Number of Hours per Week of International Broadcasting by Radio Stations  
in the Bloc to Free World Areas  
June 1959 and June 1960

Area	Hours per Week							
	Total Bloc		USSR and European Satellites		Communist China and Far Eastern Satellites		Clandestine Stations	
	June 1960	June 1959	June 1960	June 1959	June 1960	June 1959	June 1960	June 1959
Total	<u>2,999</u>	<u>2,567</u>	<u>1,908</u>	<u>1,717</u>	<u>931</u>	<u>665</u>	<u>160</u>	<u>185</u>
Middle East, Africa, and South Asia	707	497	601	439	84	40	22	18
Far East	808	653	126	110	682	543	0	0
Latin America	158	107	126	93	32	14	0	0
North America	323	284	260	253	56	24	7	7
Western Europe <u>a/</u>	862	858	697	688	56	32	109	138
Other <u>b/</u>	141	168	98	134	21	12	22	22

a. Excluding Yugoslavia.

b. Target area not determined.

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## ECONOMIC INTELLIGENCE REPORT

# SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS 1 JANUARY-30 JUNE 1960

### SUMMARY

(The complete text of this report has been published separately.)

**EIC-R14-S9**

31 August 1960

## ECONOMIC INTELLIGENCE COMMITTEE

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**WARNING**

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**Produced and Disseminated by  
Central Intelligence Agency**

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FOREWORD

The reports on Sino-Soviet Bloc economic activities in underdeveloped areas in the EIC-R14 series provide periodic summaries and analytical interpretations of significant developments in the economic relations of Bloc countries with underdeveloped countries of the Free World. These developments are reported on a current, factual basis in the Biweekly Reports in the EIC-WGR-1 series, under the same title.

This report, covering the 6 months from 1 January through 30 June 1960, constitutes the ninth periodic supplement to EIC-R14, the background report on Sino-Soviet Bloc Postwar Economic Activities in Underdeveloped Areas, 8 August 1956, SECRET. The present supplement relates noteworthy noneconomic activities to the economic operations of the Bloc in underdeveloped countries in order to place the economic aspects in the perspective of the over-all programs of the Bloc in these countries. This report was prepared by a Working Group of the Economic Intelligence Committee, including representatives of the Departments of State, the Army, the Navy, the Air Force, Commerce, and Agriculture; the International Cooperation Administration; the Office of the Secretary of Defense; and the Central Intelligence Agency. It was approved by the Economic Intelligence Committee on 10 August 1960.

For purposes of this report, the term underdeveloped areas includes the following Free World countries: (1) all countries in the Middle East, including Afghanistan, Cyprus, Greece, Pakistan, Turkey, and the United Arab Republic (Egypt and Syria); (2) all independent countries in Africa, except the Union of South Africa; (3) all countries in Asia; (4) all independent countries in Latin America; and (5) Iceland, Portugal, Spain, and Yugoslavia.

The complete text of this report has been published separately as EIC-R14-S9.

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SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS  
1 JANUARY - 30 JUNE 1960

Summary

Throughout the semiannual period ending 30 June 1960, the Bloc prosecuted its economic offensive in underdeveloped areas with growing vigor. As in preceding periods, the political content and direction of the economic aid program were apparent in the choice of target countries, the type of assistance provided, and the timing of aid offers. Although the Bloc continued to press its offensive in the Middle East and Asia, impressive new gains were scored in Africa and Latin America.

Credits and Grants\*

During the first 6 months of 1960 the Bloc extended more than \$785 million\*\* in financial assistance to underdeveloped countries, all for economic development. The level thus established is well above the high-water mark set in the last 6 months of 1959. Credits and grants extended in the 12-month period ending 30 June 1960 account for more than 40 percent of the economic credits and grants provided since 1954.

Only one military assistance agreement was concluded between the Bloc and underdeveloped countries in the first half of 1960. This accord, reached by the USSR and the United Arab Republic (UAR) some time in the spring, probably provides a sizable line of credit.

With the obligation of almost \$900 million of outstanding credits and grants in the first 6 months, approximately 80 percent of Bloc financial aid extended for all purposes had been obligated by midyear 1960. Of the funds obligated for economic assistance, one-half have been allocated to industrial projects; one-fifth to agriculture (including reclamation, irrigation, and hydroelectric power); and one-seventh to transportation and communications.

\* See the chart, Figure 3, following p. 6. Credit and grant extensions refer to minimum amounts of economic assistance earmarked under bilateral general assistance or project agreements. Bloc credit and grant obligations refer to those portions of credits and grants extended which have been designated for specific uses or for which utilization has been arranged by firm construction or delivery contracts. Credit and grant drawings refer to those portions of credits and grants extended and obligated which have been used for Bloc equipment or for the services of Bloc personnel.

\*\* Unless otherwise indicated, all dollar values in this report are in terms of US dollars.

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Drawings on Bloc credits and grants during the first 6 months of 1960 amounted to \$135 million, almost two-thirds of which went for economic development projects. By midyear, almost all of the \$820 million provided under military aid agreements and one-fifth of the more than \$3.2 billion extended for economic assistance had been spent.

Technical Assistance\*

In the first 6 months of 1960, 6,900 Bloc technicians -- 5,700 economic and 1,200 military -- were present in underdeveloped countries for periods of 1 month or longer. This figure may be compared with about 6,500 technicians -- 5,000 economic and 1,500 military -- present in the previous 6-month period.

By midyear 1960, 9,400 nationals of underdeveloped countries were pursuing or had completed courses of instruction at various institutions in the Bloc. Of this number, 2,800 were academic students, 2,400 were technical students, and 4,200 were military trainees.

Trade

Although Bloc imports increased 11 percent and Bloc exports declined 8 percent, the level of Bloc trade with underdeveloped countries in 1959 remained the same as in 1958, in contrast to an average annual increase of 20 percent between 1956 and 1958. Although the European Satellites retained their preeminent position in Bloc trade with underdeveloped countries, the USSR increased its share to well over one-third of the total.

Except for the Middle East, Bloc trade with all of the underdeveloped areas in 1959 showed an increase above 1958. A 13-percent decline in trade with the Middle East -- a region that accounted for about 40 percent of trade turnover in recent years -- was the main factor underlying the precipitous drop in the rate of growth of trade between 1958 and 1959.

Industrial countries of the Free World experienced a leveling off in their trade with underdeveloped countries similar to that noted for the Bloc. As a result, the relative share in the trade of underdeveloped countries for the two major power groups in 1959 remained about the same as in 1958 -- 93 percent for the industrial countries of the Free World, 7 percent for the Bloc.

Middle East

The USSR made vigorous efforts in Afghanistan during the first half of 1960 to expedite its extensive program of economic assistance

\* See the map, Figure 4, following p. 6.

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in that country. An outstanding achievement from an economic and a propagandistic point of view was the discovery in April of a major deposit of high-quality petroleum and gas. This discovery by Soviet and Rumanian experts was promptly followed by a Soviet offer to assist Afghanistan in producing, refining, and marketing the newly discovered oil and gas. In addition, the USSR has offered to finance a substantial part of Afghanistan's Second Five Year Plan. Soviet performance in implementing projects in Afghanistan has been very good in spite of shortages of local currency and skilled manpower. There is every indication that this creditable record has made an increasingly favorable impression on the Afghans and has led them to exercise less caution with respect to closer economic and military relations with the Bloc.

During the first half of the year, the USSR and Afghanistan signed construction contracts for several major projects -- new roads, a dam and a hydroelectric powerplant, another airfield, and several cement plants. The number of Soviet technicians employed on various projects in Afghanistan had increased to more than 1,000 by midyear, and further increases are expected as new projects get underway.

The position of the Bloc in the UAR improved perceptibly. The USSR achieved a considerable propaganda coup when in January, shortly after the inauguration of work on the Aswan High Dam, it extended a second long-term credit for completion of the project. As a result, the USSR is able to assure its presence in Egypt for some time to come and to exclude Western nations from participation in a project that has wide popular appeal. The UAR policies of neutralism abroad and anti-Communism at home have tended to offset Bloc gains. Progress on Bloc aid projects has been slow, and completion of the larger projects for which contracts have been signed in years away. Delays in implementing projects have been caused primarily by the UAR desire to shop for better deals elsewhere. By the end of June, less than one-third of the 1958 Soviet industrialization credit to Egypt and less than one-fifth of the 1957 Soviet development credit to Syria had been spent.

Iraqi relations with the West improved, whereas those with the Bloc showed some tendency to deteriorate. In part, this tendency reflected Iraqi disappointment with the rate of progress achieved under the 1959 Soviet economic aid agreement. An unofficial visit by Soviet Deputy Premier Mikoyan in April failed to dispel this disappointment or to improve the climate of political relations between the two countries. Nevertheless, the Iraqi Government in May accepted a new Soviet credit to be used for rehabilitation of the Basra-Baghdad railroad.

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Elsewhere in the Middle East the prestige of the Bloc in Yemen was enhanced by the impressive progress made on Yemen's first modern port and road. Two of three Bloc aid projects in Iran were completed, and two additional Bloc credits for the purchase and installation of textile equipment were extended to private firms. The USSR attempted to exploit the political situation in Turkey following the military coup of 27 May by pressing the new government to improve relations between the two countries. Part of the pressure campaign consisted of a general Soviet offer to provide large-scale aid for economic development. Pakistani officials displayed a willingness to consider Soviet economic assistance, and negotiations were begun in June for Bloc aid in exploring for petroleum and mineral deposits.

#### Africa

Bloc diplomatic representations, trade overtures, and offers of aid increased dramatically in several key African states. There was a growing interest in Bloc offers of assistance, although only one Bloc credit offer was accepted.

Ghana received its first Bloc aid, an industrial credit of \$3.1 million from East Germany, and was considering an additional large-scale offer from the USSR. Surveys of industrial projects and the training of Ghanaians were carried out by East Germany during this period. Trade rose significantly as a result of energetic tactics pursued by the Bloc.

Guinea received several gifts from the Bloc, including a substantial rice grant from Communist China. Implementation of the July 1959 Soviet credit was assured by the conclusion of a protocol under which Moscow will provide material and technical assistance for several key industrial projects. The number of Bloc technicians working on surveys, constructing industrial plants, and acting as advisers to key Guinean ministries rose sharply. A large number of Chinese Communists arrived to assist in rice-growing projects. Trade with the Bloc expanded significantly.

Although the Bloc made important efforts to strengthen its initial foothold in Ethiopia, actual gains were somewhat circumscribed by growing Ethiopian wariness of Soviet subversion. Czechoslovakia and the USSR prodded Ethiopia to hasten utilization of credits that they extended in July 1959. In March 1960 an agreement was signed with the USSR that mentioned an oil refinery, a gold ore dressing plant, geological and mineralogical surveys, and a feasibility study for a metallurgical plant, but actual implementation does not appear to be assured. The number of Bloc technicians in Ethiopia and the Bloc's share of Ethiopia's trade remained small.

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Asia

The Bloc vigorously pursued its economic offensive in India, Indonesia, and Nepal. India remained firmly committed to a policy of nonalignment and to a belief that even larger amounts of Bloc aid can be absorbed without creating a serious dependence on the Bloc. Obligation of Soviet credits for specific projects under the Third Five Year Plan highlighted the Bloc aid program in India. Indian acceptance of a Soviet offer to aid in petroleum development as well as to supply large quantities of petroleum products further increased the Bloc's role in India's petroleum industry. Poland for the first time extended credit for India's industrial development program.

Although friction in Sino-Indonesian relations continued, economic ties with the USSR were strengthened. Indonesia accepted a \$250 million Soviet credit for economic development. Implementation of Bloc aid programs proceeded at a more active pace, and the number of Bloc technicians present increased. Trade with the Bloc rose in 1959, and for the first time the Bloc share of Indonesian exports exceeded 10 percent of the total.

The Bloc accelerated its efforts to insure Nepal's neutrality, to reduce Western influence, and to overcome suspicions aroused by Chinese Communist border aggression. Nepal accepted an additional grant of \$21 million from Peiping and agreed (1) to permit the establishment of a resident Communist Chinese Embassy, (2) to accept Chinese Communist technicians, and (3) to send Nepalese technicians to Communist China for training.

The present Burmese Government, more favorably disposed than its predecessor to Bloc economic overtures, is considering credit offers by Czechoslovakia, the USSR, and East Germany. Two more contracts under the 1958 Soviet credit to Ceylon were concluded, but only one project is under construction. The reduced volume of rice and rubber to be exchanged with Communist China under the current trade agreement reflects Ceylon's desire to decrease its trade dependence on Peiping.

Bloc activity in Cambodia centered on the construction of factories financed by the Chinese Communist grant and on a Soviet gift hospital. The USSR offered to finance the construction of a railroad and to set up and operate several rubber plantations.

Europe

Bloc economic efforts were concentrated primarily on trade and showed no significant change in levels or objectives from the previous period. Yugoslavia's trade with the Bloc increased, but the

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Bloc's share of its total trade declined. A trend toward longer term agreements with Bloc countries attests to a mutual willingness to continue trade as usual in spite of political differences. The Bloc continued to play a major role in Iceland's trade by providing an outlet for products which could not be marketed easily elsewhere. Iceland took steps to strengthen its currency and stabilize its economy and sought to substitute Western markets for those behind the Iron Curtain.

#### Latin America

The Soviet partnership with Cuba in an anti-American propaganda campaign marked the opening of a new major frontier in Bloc operations in the area. A rising receptivity to Bloc economic overtures was noted in much of the area in spite of a widespread and increasingly pointed dislike in government circles of the Cuban-Bloc alliance.

Bloc economic overtures in Cuba in the first half of 1960 resulted in (1) a \$100 million credit by the USSR and a \$20 million credit by Czechoslovakia; (2) trade agreements with Czechoslovakia, Poland, and the USSR; and (3) an interbank agreement with East Germany. Bloc technicians began to appear in Cuba in sizable numbers. By mid-July the Bloc had purchased approximately 2.4 million tons of Cuban sugar (valued at about \$160 million) for delivery in 1960, and the USSR had promised to supply Cuba's petroleum requirements. The rapid pace of political and economic developments in recent months points to an increase in Bloc economic activity in Cuba.

Bloc economic efforts in the River Plate countries declined in the face of moves by Uruguay and Argentina to reduce the Bloc's involvement in their economies. Argentina abrogated several of its bilateral agreements with European Satellites, and Uruguay turned down a Soviet proposal that it buy quantities of petroleum in exchange for continued Soviet purchases of wool.

Brazil's anxious search for new markets and foreign credits to finance a vigorous development program gave the Bloc an opportunity to increase its economic influence. Brazil's trade with the Bloc exceeded \$100 million for the first time in 1959 and increased in the first half of 1960.

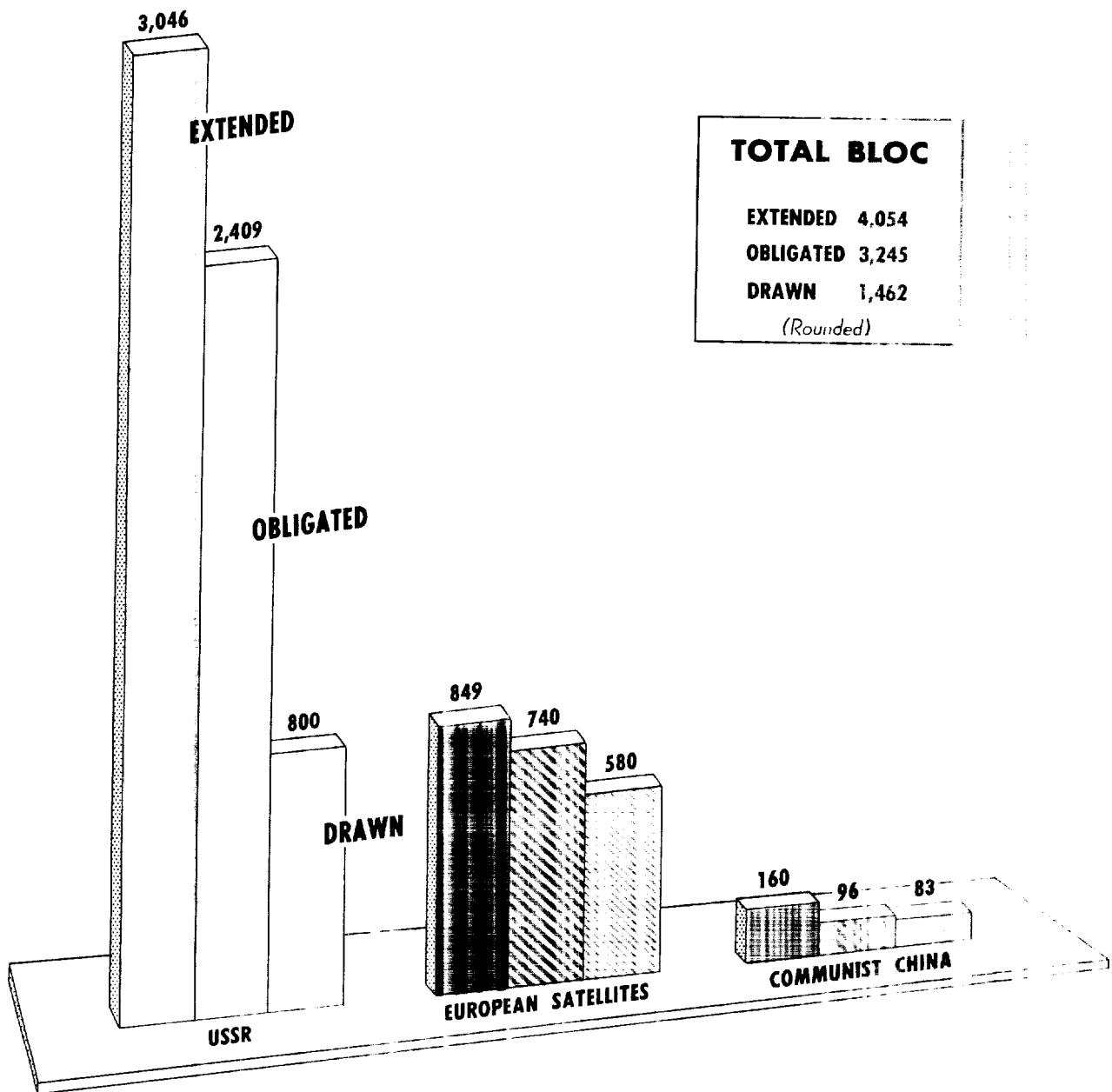
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**SECRET**

## BLOC CREDITS AND GRANTS TO UNDERDEVELOPED COUNTRIES

January 1954 - June 1960

*Million US dollars*



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Figure 3

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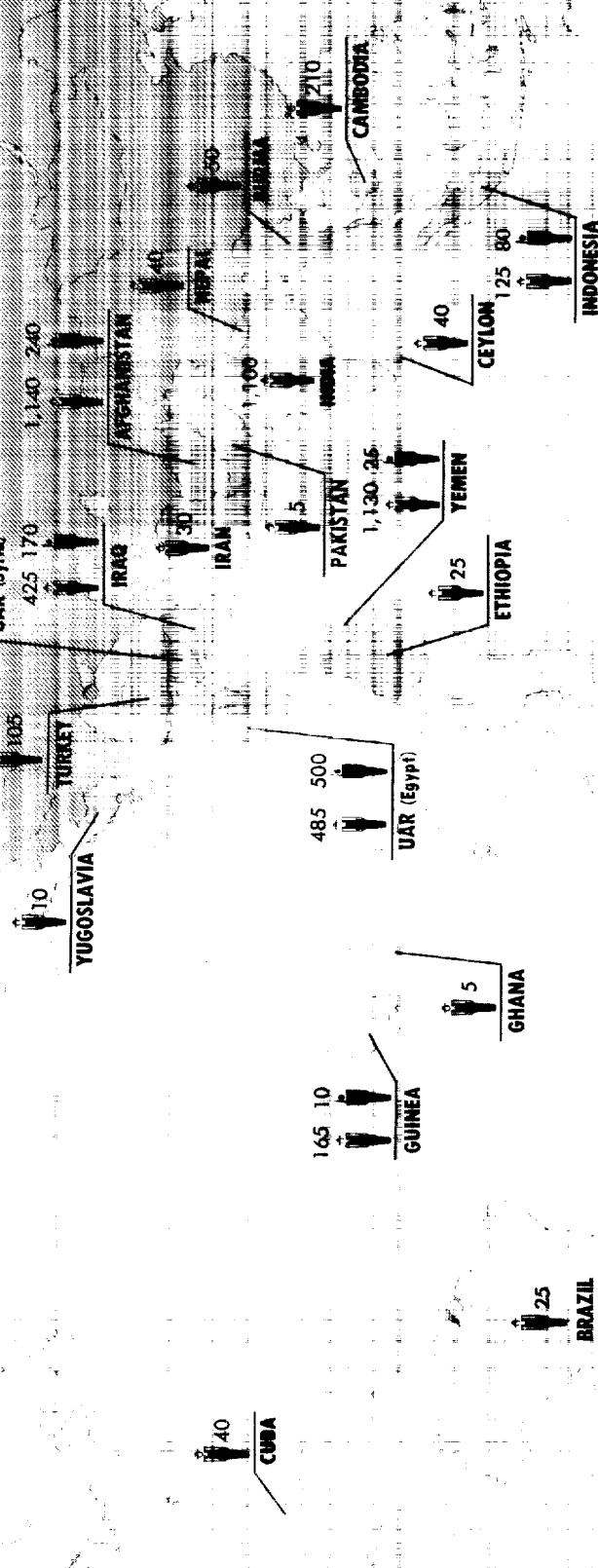


Figure 4  
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**8.00 ECONOMIC AND MILITARY TECHNICIANS  
IN UNDERDEVELOPED COUNTRIES**

January-June 1960

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FOREIGN NATIONALS  
NOT RELEASABLE TO

NOT RELEASABLE TO  
FOREIGN NATIONALS  
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